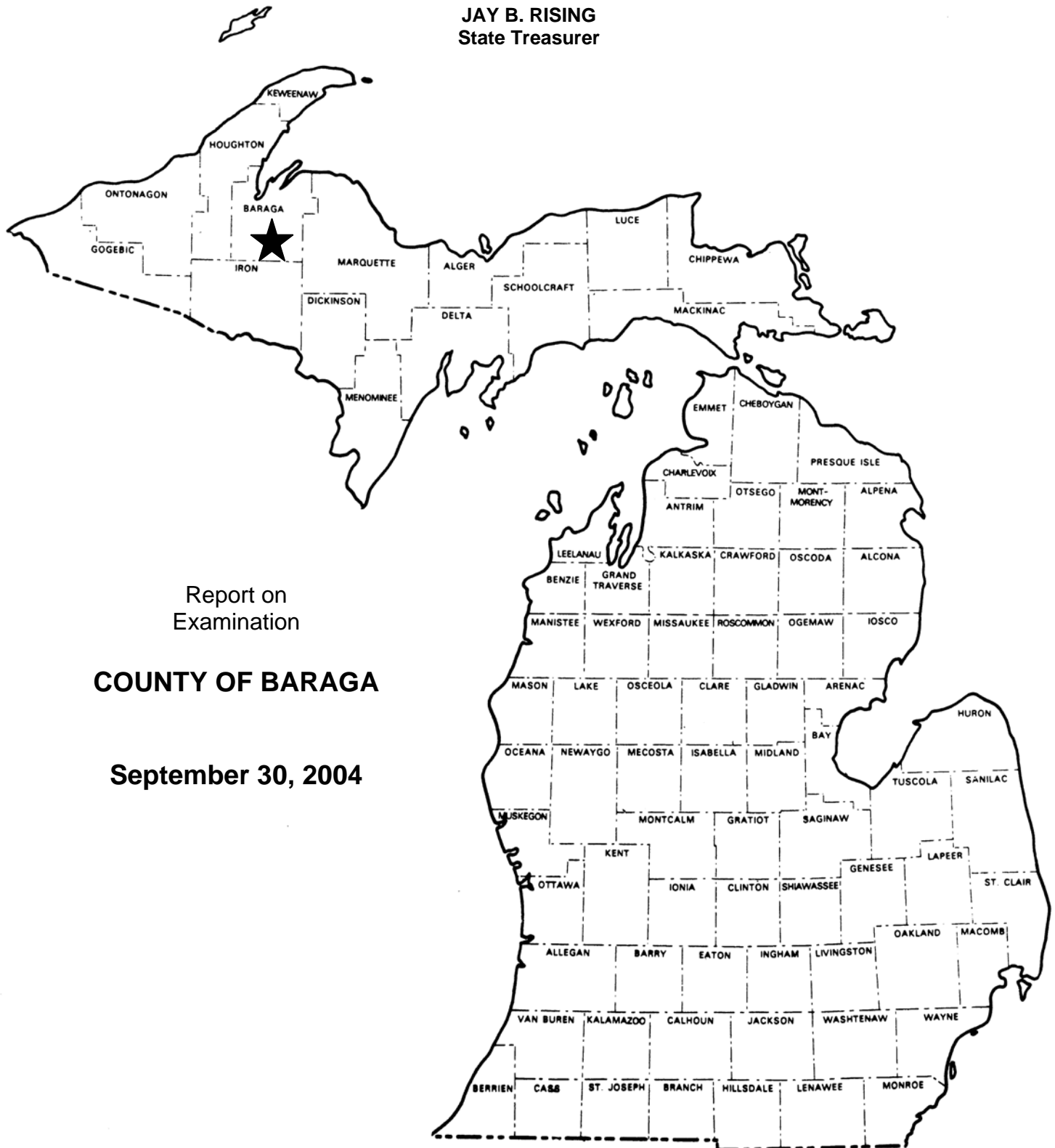


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

COUNTY OF BARAGA

September 30, 2004

Local Audit and Finance Division
Bureau of Local Government Services

BARAGA COUNTY
BOARD OF COMMISSIONERS

Michael Koskinen
Chairperson

Gale Eilola

William Menge

Larry Menard

Daune Smith

COURT JUDGES

Garfield W. Hood
Circuit Judge

Timothy S. Brennan
Probate Judge

Phillip L. Kukkonen
District Judge

OTHER ELECTED OFFICIALS

Patricia A. Kissel
Treasurer

Wendy J. Goodreau
Clerk/Register of Deeds

Charles Sliger
Mine Inspector

Robert J. Teddy
Sheriff

Joseph P. O'Leary
Prosecuting Attorney

COUNTY POPULATION--2000
8,746

STATE EQUALIZED VALUATION--2004
\$270,901,635



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

January 10, 2005

County of Baraga
County Board of Commissioners
16 North 3rd Street
L'Anse, Michigan 49946

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baraga County, Michigan, as of and for the year ended September 30, 2004, which collectively comprise the county's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Baraga County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the County Hospital (component unit--enterprise fund type) which statements reflect total assets of \$12,826,297 as of September 30, 2004, and total revenues of \$17,694,548. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Baraga County Hospital, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note S, the county adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2003.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Baraga, as of September 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated January 10, 2005, on our consideration of the County of Baraga's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 6 and the Budgetary Comparisons for Major Funds in Exhibits K and L are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Baraga's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133; Audits of States, Local Governments, and Non-Profit Organizations; and is not a required part of the general purpose financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

COUNTY OF BARAGA

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COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County, as a whole, and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

Because this is the first year of implementation of Government Account Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Current Assets	\$ 1,325,579	\$ 378,356	\$ 1,703,935
Noncurrent Assets	1,755,322		1,755,322
Total Assets	3,080,901	378,356	3,459,257
Current Liabilities	533,494	10,102	543,596
Noncurrent Liabilities	2,473,173		2,473,173
Total Liabilities	3,006,667	10,102	3,016,769
Net Assets			
Invested in Capital Assets--Net of Debt	655,322		655,322
Restricted	(1,166,823)		(1,166,823)
Unrestricted (Deficit)	585,735	368,254	953,989
Total Net Assets	\$ 74,234	\$ 368,254	\$ 442,488

The negative amount of Restricted Net Assets is mainly attributed to the \$1,275,000 outstanding bond liability for the 1998 Hospital Improvement Refunding Bonds. There is a 2.5 mill property tax mileage set that will pay off the principal and interest payments each year until the bonds are paid off, however, the receivable for these future taxes are not recorded to offset the liability.

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the September 30, 2004:

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	Total <u>2004</u>
Program Revenues			
Charges for Services	\$ 103,874	\$ 81,472	\$ 185,346
Operating Grants and Contributions	881,569		881,569
General Revenues			
Property Taxes	2,341,492		2,341,492
State-Shared Revenues	142,370		142,370
Unrestricted Investment Earnings	19,785	4,717	24,502
Other Revenues	56,563		56,563
Transfers and Other Revenue	(165,821)	(75,530)	(241,351)
Total Revenues	<u>3,379,832</u>	<u>10,659</u>	<u>3,390,491</u>
Program Expenses			
General Government	1,458,884		1,458,884
Public Safety	993,768		993,768
Health and Welfare	437,391		437,391
Community and Economic Development	104,971		104,971
Recreation and Culture	4,000		4,000
Other	85,062		85,062
Interest on Long-Term Debt	121,067		121,067
Delinquent Tax Funds Combined		2,500	2,500
Total Expenses	<u>3,205,143</u>	<u>2,500</u>	<u>3,207,643</u>
Change in Net Assets	<u>\$ 174,689</u>	<u>\$ 8,359</u>	<u>\$ 183,048</u>

The change in net assets is the result of an increase in property tax revenue and an increase in capital asset acquisitions during the year.

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

As the County completed fiscal year 2004, its governmental funds reported are *combined* fund balances of \$792,085, a decrease of \$18,272. The net changes are summarized below:

	Governmental Activities 2003	Governmental Activities 2004	Amount Difference 2004	Percentage Difference 2004
Revenues				
Taxes	\$ 2,168,275	\$ 2,341,492	\$ 173,217	8%
Licenses and Permits	4,162	2,927	(1,235)	-30%
Federal Grants	102,710	205,553	102,843	100%
State Grants	645,818	543,586	(102,232)	-16%
Charges for Services	383,069	341,863	(41,206)	-11%
Fines and Forfeits	12,249	11,410	(839)	-7%
Interest and Rentals	26,793	24,574	(2,219)	-8%
Other Revenue	62,009	74,248	12,239	20%
Total Revenues	3,405,085	3,545,653	140,568	4%
Expenses				
Current				
General Government	1,064,649	1,435,913	371,264	35%
Public Safety	578,302	948,197	369,895	64%
Health and Welfare	382,757	436,191	53,434	14%
Community and Economic Development		104,971	104,971	0%
Recreation and Cultural	2,500	4,000	1,500	60%
Other	599,648	85,062	(514,586)	-86%
Capital Outlay	2,218	57,703	55,485	2502%
Debt Service				
Principal	195,000	205,000	10,000	5%
Interest and Fiscal Fees	132,388	121,067	(11,321)	-9%
Total Expenditures	2,957,462	3,398,104	440,642	15%
Excess of Revenues Over (Under) Expenditures	447,623	147,549	(300,074)	-67%
Other Financing Sources (Uses)				
Interfund Transfers In				
Primary Government	155,604	165,030	9,426	6%
Interfund Transfers (Out)				
Primary Government	(91,374)	(89,700)	1,674	-2%
Component Unit	(225,719)	(241,151)	(15,432)	7%
Total Other Financing Sources (Uses)	(161,489)	(165,821)	(4,332)	3%
Beginning Fund Balance	524,223	810,357	286,134	55%
Ending Fund Balance	\$ 810,357	\$ 792,085	\$ (18,272)	-2%

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The County's Funds

Our analysis of the County's major funds is detailed in the Notes to the Financial Statements, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2004 include the General Fund, the 911 Service Fund, the Hospital Debt Fund, and the 2003 Tax Payment Fund.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or board policy, all County revenues and expenditures are recorded in the General Fund. The most significant are the general government and the public safety, which incurred expenses of \$1,435,913 and \$948,197, respectively, during 2004.

The County's total governmental revenues increased by approximately 4% primarily due to the continuing increase in property taxes.

Expenses increased by approximately 15% mainly due to the increasing cost of health care benefits and capital outlay purchases.

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

	Business-Type Activities 2003	Business-Type Activities 2004	Amount Difference 2004	Percentage Difference 2004
Operating Revenues				
Interest and Penalties on Taxes	\$ 85,917	\$ 81,472	\$ (4,445)	-5%
Total Operating Revenues	<u>85,917</u>	<u>81,472</u>	<u>(4,445)</u>	<u>-5%</u>
Operating Expenses				
Stationary, Postage and Printing	1,668	2,500	832	50%
Total Operating Expenses	<u>1,668</u>	<u>2,500</u>	<u>832</u>	<u>50%</u>
Net Income (Loss) From Operations	<u>84,249</u>	<u>78,972</u>	<u>(5,277)</u>	<u>-6%</u>
None Operating Revenue (Expenses)				
Interest Income	4,658	4,717	59	1%
Interest Expense	<u>4,658</u>	<u>4,717</u>	<u>59</u>	<u>1%</u>
Total Nonoperating Revenues (Expenses)	<u>4,658</u>	<u>4,717</u>	<u>59</u>	<u>1%</u>
Net Income (Loss) Before Operating Transfers	88,907	83,689	(5,218)	-6%
Transfers In--Primary Government				
Transfers (Out)--Primary Government	<u>(64,230)</u>	<u>(75,330)</u>	<u>(11,100)</u>	<u>17%</u>
Net Income (Loss)	24,677	8,359	(16,318)	-66%
Beginning Retained Earning	<u>335,218</u>	<u>359,895</u>	<u>24,677</u>	<u>7%</u>
Ending Retained Earning	<u>\$ 359,895</u>	<u>\$ 368,254</u>	<u>\$ 8,359</u>	<u>2%</u>

The County's business-type activities consist of the Delinquent Tax Revolving Funds for various years and represent collection of delinquent taxes. There was no significant change in the revenues or expenses.

General Fund Budgetary Highlights

Over the course of the year, the County Board amended the budget to take into account events during the year. The County's revenue budget was increased by \$108,291 (3.5% above the original budget) during fiscal year 2004. Actual General Fund revenue and other financing sources totaled \$3,237,428, which was \$51,744 below the final amended budget. The largest variances were: decrease in anticipated Federal grants and an increase in property taxes.

COUNTY OF BARAGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The County's expenditure budget was increased by \$357,473 (13.8% over the original budget) during fiscal year 2004. There were some wide variances in individual expenditure accounts as a result of reclassifying fringe benefits from an "other" activity into the respective activities where the salaries and wages were recorded. There was also an increase in Health and Welfare costs during fiscal year 2004. Actual General Fund expenditures and other financing sources totaled \$2,696,180, which was \$251,030 below the final amended budget. The largest variances were: decrease in anticipated general government and public safety expenditures.

Capital Asset and Debt Administration

At the end of 2004, the County had \$1,755,322 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment. Major additions to the capital assets this year included new office equipment for \$37,465 and a police vehicle for \$20,238.

Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the County had total bonded debt outstanding of \$2,375,000 and vested employee benefits of \$98,173.

Economic Factors and Next Year's Budgets and Rates

The County has considered the following factor in preparing the 2005 fiscal year budget:

State Shared Revenue--This represents Baraga County's share of the State's sales tax. Budgetary projections were uncertain as the State was undecided on their budget and were debating the Governor's proposal to shift County property tax collections from December to July. This proposal allowed the State to actually not make any revenue sharing payments to counties. Baraga County will set up a special revenue fund and collect the equivalent of one additional year of property taxes over the next three years and put these funds into this reserve account. We will then draw an amount equivalent to our revenue sharing payments each year until this fund is exhausted. The State would then restart revenue sharing payments once this fund is exhausted.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Baraga County Clerk's Office at 16 North Third Street, L'Anse, Michigan 49946.

COUNTY OF BARAGA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2004

EXHIBIT A

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Component Units
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 934,704	\$ 3,111	\$ 937,815	\$ 2,892,210
Receivables (Net)				
Accounts				2,175,307
Estimated Third-Party Settlements Receivable				482,621
Delinquent Taxes		541,578	541,578	
Forfeiture Fees		667	667	
Due From Other Counties				
Internal Balances	167,000	(167,000)	-	
Due From State	125,217		125,217	1,022,881
Due From Federal Government			-	131,008
Due From Local Units of Governments	64,602		64,602	
Inventories				724,648
Prepaid Expenses	34,056		34,056	317,209
Total Current Assets	1,325,579	378,356	1,703,935	7,745,884
Noncurrent Assets				
Due From Local Units of Governments				
Due Within One Year			-	73,000
Due in More Than One Year			-	2,432,000
Capital Assets, Net of Accumulated Depreciation	1,755,322		1,755,322	11,316,849
Total Assets	3,080,901	378,356	3,459,257	21,567,733
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	65,489	1,585	67,074	805,946
Retainage Payable			-	4,047
Tax Chargebacks Payable	787		787	
Driveway Snow Plowing Deposits			-	(16,238)
Due to Other Funds--Component Units	428,428		428,428	
Due to Other Units of Government			-	12,859
Due to State	817		817	61,831
Accrued Interest Payable		8,517	8,517	
Accrued Liabilities	17,069		17,069	45,045
Other Accrued Liabilities			-	1,392,229
Noncurrent Liabilities				
Deferred Revenue	20,904		20,904	
Bonds Payable--Due Within One Year	230,000		230,000	73,000
Bonds Payable--Due in More Than One year	2,145,000		2,145,000	2,432,000
Mortgage Payable--Due Within One Year			-	148,557
Mortgage Payable--Due in More Than One year			-	2,390,528
Loans Payable--Due Within One Year			-	184,479
Loans Payable--Due in More Than One Year			-	1,237,943
Installment Loan Payable--Due Within One Year			-	224,855
Installment Loan Payable--Due in More Than One Year			-	322,165
State Infrastructure Bank Payable--Due in More Than One Year			-	275,000
Vested Employee Benefits Payable	98,173		98,173	319,059
Total Liabilities	3,006,667	10,102	3,016,769	9,913,305
<u>NET ASSETS</u>				
Investment in Capital Assets, Net of Related Debt	655,322		655,322	6,533,322
Restricted for				
Debt Service	(1,166,823)		(1,166,823)	
County Roads			-	1,873,261
Department of Public Works			-	888
County Hospital			-	3,246,957
Unrestricted	585,735	368,254	953,989	
Total Net Assets	\$ 74,234	\$ 368,254	\$ 442,488	\$ 11,654,428

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

EXHIBIT B

PROGRAM REVENUES				
			Operating	Capital
Functions/Programs	Expenses	Charges for	Grants and	Grants and
		Services	Contributions	Contributions
Primary Government				
Governmental Activities				
General Government	\$ 1,458,884	\$ 20,232	\$ 474,255	
Health and Welfare	437,391	808	56,878	
Community and Economic Development	104,971	300	97,960	
Recreation and Culture	4,000			
Other	85,062			
Interest on Long-Term Debt	121,067			
Total Governmental Activities	3,205,143	103,874	881,569	\$ -
Business-Type Activities				
Delinquent Tax Funds Combined	2,500	81,472		
Total Business-Type Activities	2,500	81,472	-	-
Total Primary Government	\$ 3,207,643	\$ 185,346	\$ 881,569	\$ -
Component Units				
Road Commission	\$ 2,511,113	\$ 10,252	\$ 2,196,701	\$ 2,513,908
Department of Public Works	236,634		235,542	
County Hospital	18,466,447	17,583,405		
Total Component Units	\$ 21,214,194	\$ 17,593,657	\$ 2,432,243	\$ 2,513,908

COUNTY OF BARAGA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

EXHIBIT B
(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>Functions/Programs</u>	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-Type Activities	Total	
Primary Government				
Governmental Activities				
General Government	\$ (964,397)		\$ (964,397)	
Health and Welfare	(379,705)		(379,705)	
Community and Economic Development	(6,711)		(6,711)	
Recreation and Culture	(4,000)		(4,000)	
Other	(85,062)		(85,062)	
Interest on Long-Term Debt	(121,067)		(121,067)	
Total Governmental Activities	(2,219,700)	\$ -	(2,219,700)	
Business-Type Activities				
Delinquent Tax Funds Combined		78,972	78,972	
Total Business-Type Activities	-	78,972	78,972	
Total Primary Government	\$ (2,219,700)	\$ 78,972	\$ (2,140,728)	
Component Units				
Road Commission				\$ 2,209,748
Department of Public Works				(1,092)
County Hospital				(883,042)
Total Component Units	\$ -	\$ -	\$ -	\$ 1,325,614
General Revenues				
Property Taxes	\$ 2,341,492		\$ 2,341,492	\$ 270,291
State-Shared Revenues	142,370		142,370	
Unrestricted Investment Earnings	19,785	\$ 4,717	24,502	35,004
Other Revenues	56,563		56,563	11,860
Special Item--Gain on Disposal of Capital Assets				(1,049)
Transfers	(165,821)	(75,330)	(241,151)	241,151
Total General Revenues--Special Items and Transfers	2,394,389	(70,613)	2,323,776	557,257
Change in Net Assets	174,689	8,359	183,048	557,257
Net Assets--Beginning	(100,455)	359,895	259,440	9,771,557
Net Assets--Ending	\$ 74,234	\$ 368,254	\$ 442,488	\$ 11,654,428

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004**

EXHIBIT C

	General	911 Wireless	Hospital Debt	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 170,176	\$ 172,330	\$ 431,078	\$ 161,120	\$ 934,704
Due From Other Funds--Primary Government	167,000				167,000
Internal Balances					
Due From State	104,618	20,432		167	125,217
Due From Other Agencies	44,991		11,371	8,240	64,602
Prepaid Expenses	34,056				34,056
Total Assets	<u>\$ 520,841</u>	<u>\$ 192,762</u>	<u>\$ 442,449</u>	<u>\$ 169,527</u>	<u>\$ 1,325,579</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 56,863	\$ 7,126		\$ 1,500	\$ 65,489
Due to Other Funds--Primary Government					-
Due to Other Funds--Component Units			\$ 428,428		428,428
Due to State				817	817
Accrued Liabilities	16,773	192		104	17,069
Tax Chargebacks Payable			578	209	787
Deferred Revenue	5,957			14,947	20,904
Total Liabilities	<u>79,593</u>	<u>7,318</u>	<u>429,006</u>	<u>17,577</u>	<u>533,494</u>
Fund Balances					
Reserved for					
Debt Service			13,443	94,734	108,177
Act 302 Training	2,809				2,809
Family Counseling	15,352				15,352
Long-Term Advances	97,000				97,000
Unreserved--Undesignated	326,087	185,444		57,216	568,747
Total Fund Equity	<u>441,248</u>	<u>185,444</u>	<u>13,443</u>	<u>151,950</u>	<u>792,085</u>
Total Liabilities and Fund Equity	<u>\$ 520,841</u>	<u>\$ 192,762</u>	<u>\$ 442,449</u>	<u>\$ 169,527</u>	<u>\$ 1,325,579</u>

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
September 30, 2004**

Fund Balances--Total Governmental Funds	\$ 792,085
---	------------

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Add--Capital Assets	2,459,437
Deduct--Accumulated Depreciation	<u>(704,115)</u>

Net Capital Asset Addition	<u>1,755,322</u>
----------------------------	------------------

Certain liabilities, such as compensated absences are not due and
payable in the current period. Therefore, they are not reported
in the funds' statement.

Deduct--Long-Term Debt	(2,375,000)
Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(98,173)</u>

Net Assets of Governmental Activities	<u><u>\$ 74,234</u></u>
---------------------------------------	-------------------------

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

EXHIBIT D

	General	911 Wireless	Hospital Debt	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 1,576,892		\$ 436,678	\$ 327,922	\$ 2,341,492
Licenses and Permits	2,927				2,927
Federal Grants	114,788			90,765	205,553
State Grants	455,729	\$ 76,329	3,169	8,359	543,586
Charges for Services	334,860			7,003	341,863
Fines and Forfeits	9,410			2,000	11,410
Interest and Rentals	19,785		4,789		24,574
Other Revenue	56,563			17,685	74,248
Total Revenues	2,570,954	76,329	444,636	453,734	3,545,653
Expenditures					
Current					
General Government	1,413,025			22,888	1,435,913
Public Safety	880,908	67,289			948,197
Health and Welfare	159,686			276,505	436,191
Community and Economic Development	6,096			98,875	104,971
Recreation and Cultural	4,000				4,000
Other	85,062				85,062
Capital Outlay	57,703				57,703
Debt Service					
Principal			130,000	75,000	205,000
Interest and Fiscal Fees			62,692	58,375	121,067
Total Expenditures	2,606,480	67,289	192,692	531,643	3,398,104
Excess of Revenues Over (Under) Expenditures	(35,526)	9,040	251,944	(77,909)	147,549
Other Financing Sources (Uses)					
Interfund Transfers In					
Primary Government	75,330			89,700	165,030
Interfund Transfers (Out)					
Primary Government	(89,700)				(89,700)
Component Unit			(241,151)		(241,151)
Total Other Financing Sources (Uses)	(14,370)	-	(241,151)	89,700	(165,821)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(49,896)	9,040	10,793	11,791	(18,272)
Fund Balance (Deficit)--October 1, 2003	491,144	176,404	2,650	140,159	810,357
Fund Balance (Deficit)--September 30, 2004	\$ 441,248	\$ 185,444	\$ 13,443	\$ 151,950	\$ 792,085

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED September 30, 2004**

EXHIBIT D-1

Net Change in Fund Balances--Total Governmental Funds \$ (18,272)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the costs of those assets are allocated over
their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	57,703
Deduct--Depreciation Expense	(66,555)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	205,000
--	---------

Some expenses reported in the Statement of Activities do not require the use
of current financial resources. Therefore, they are not reported as
expenditures in the funds.

(3,187)

Change in Net Assets of Governmental Activities

\$ 174,689

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004**

EXHIBIT E

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	2003 Tax Funds	Non-Major Enterprise	Total Enterprise Funds
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 420	\$ 2,691	\$ 3,111
Delinquent Taxes Receivable	497,985	43,593	541,578
Forfeiture Fees Receivable		667	667
Total Current Assets	498,405	46,951	545,356
Total Assets	498,405	46,951	545,356
<u>LIABILITIES</u>			
Current Liabilities			
Due to Other Funds--Primary Government	167,000		167,000
Due to State		1,585	1,585
Due to Other Units of Government	8,517		8,517
Total Current Liabilities	175,517	1,585	177,102
Total Liabilities	175,517	1,585	177,102
<u>NET ASSETS</u>			
Unrestricted	322,888	45,366	368,254
Total Net Assets	\$ 322,888	\$ 45,366	\$ 368,254

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--ENTERPRISE FUNDS
For the Year Ended September 30, 2004

EXHIBIT F

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	2003 Tax Funds	Non-Major Enterprise	Total Enterprise Funds
Operating Revenues			
Interest and Penalties	\$ 22,888	\$ 58,584	\$ 81,472
Total Operating Revenues	22,888	58,584	81,472
Operating Expenses			
Office Supplies and Postage		2,500	2,500
Total Operating Expenses	-	2,500	2,500
Operating Income (Loss)	22,888	56,084	78,972
Nonoperating Revenues (Expenses)			
Interest and Investment Revenue		4,717	4,717
Total Nonoperating Revenues (Expenses)	-	4,717	4,717
Income (Loss) Before Contributions and Transfers	22,888	60,801	83,689
Interfund Transfers			
Transfers (Out)		(75,330)	(75,330)
Change in Net Assets	22,888	(14,529)	8,359
Total Net Assets--October 1, 2003	-	359,895	359,895
Total Net Assets--September 30, 2004	\$ 22,888	\$ 345,366	\$ 368,254

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended September 30, 2004

EXHIBIT G

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	2003 Tax Fund	Non-Major Enterprise	Total
Cash Flows From Operating Activities			
Charges for Services	\$ 22,888	\$ 58,584	\$ 81,472
Delinquent Taxes Collected	301,747	239,052	540,799
Delinquent Taxes Purchased	(799,732)		(799,732)
Goods and Services Purchased		(2,500)	(2,500)
Net Cash Provided by Operating Activities	(475,097)	295,136	(179,961)
Cash Flows From Noncapital Financing Activities			
(Increase) or Decrease in Other Receivables		134	134
(Increase) or Decrease in Advances to Other Funds		(114,000)	(114,000)
Increase or (Decrease) in Other Payables	8,517	(186,000)	(177,483)
Increase or (Decrease) in Advances From Other Funds	467,000	(75,330)	391,670
Net Cash Flows From Noncapital Financing Activities	475,517	(373,821)	101,696
Cash Flows From Investing Activities			
Interest on Cash Equivalents		4,717	4,717
Net Cash Provided by Investing Activities	-	4,717	4,717
Net Increase in Cash and Cash Equivalents	420	(73,968)	(73,548)
Cash and Cash Equivalents--October 1, 2003	-	76,659	76,659
Cash and Cash Equivalents--September 30, 2004	\$ 420	\$ 2,691	\$ 3,111
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 22,888	\$ 56,084	\$ 78,972
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	(497,985)	239,052	(258,933)
Net Cash Provided by Operating Activities	\$ (475,097)	\$ 295,136	\$ (179,961)

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF BARAGA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
September 30, 2004**

EXHIBIT H

	<u>Agency Fund</u>
 <u>ASSETS</u>	
Cash	<u>\$ 986,791</u>
Total Assets	<u><u>\$ 986,791</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to Villages	\$ 2,583
Due to State of Michigan	322,259
Undistributed Penal Fines	15,990
Undistributed Interest	59
Undistributed Tax Collections	614,062
Other Trust Items Payable	<u>31,838</u>
Total Liabilities	<u><u>\$ 986,791</u></u>

COUNTY OF BARAGA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2004

EXHIBIT I

	GOVERNMENTAL		BUSINESS	
		Department of	County	
ASSETS	Road Commission	Public Works	Hospital	Total
Current Assets				
Cash and Cash Equivalents	\$ 727,679	\$ 888	\$ 2,163,643	\$ 2,892,210
Receivables (Net)	13,854		2,161,453	2,175,307
Estimated Third-Party Settlements Receivable			482,621	482,621
Due From State	1,022,881			1,022,881
Due From Federal	131,008			131,008
Inventories	530,918		193,730	724,648
Prepaid Expenses	48,111		269,098	317,209
Total Current Assets	2,426,340	888	5,270,545	7,745,884
Noncurrent Assets				
Due From Local Units of Government				
Due Within One Year		73,000		73,000
Due in More Than One Year		2,432,000		2,432,000
Capital Assets (Net of Accumulated Depreciation)	3,761,097		7,555,752	11,316,849
Total Noncurrent Assets	3,761,097	2,505,000	7,555,752	13,821,849
Total Assets	6,235,548	2,505,888	12,826,297	21,567,733
LIABILITIES				
Current Liabilities				
Accounts Payable	168,007		637,939	805,946
Retainage Payable	4,047			4,047
Due to State	61,831			61,831
Accrued Liabilities	45,045			45,045
Driveway Snow Plowing Deposits	(16,238)			(16,238)
Due to Other Units of Government	12,859			12,859
Other Accrued Liabilities	6,580		1,385,649	1,392,229
Total Current Liabilities	282,131	-	2,023,588	2,305,719
Noncurrent Liabilities				
Bonds Payable				
Due Within One Year		73,000		73,000
Due in More Than One Year		2,432,000		2,432,000
Installment Purchase Agreements Payable				
Due Within One Year	224,855			224,855
Due in More Than One Year	322,165			322,165
State Infrastructure Bank Payable				
Due in More Than One Year	275,000			275,000
Mortgage Payable				
Due Within One Year			148,557	148,557
Due in More Than One Year			2,390,528	2,390,528
Loans Payable				
Due Within One Year			184,479	184,479
Due in More Than One Year			1,237,943	1,237,943
Vested Employee Benefits Payable	319,059			319,059
Total Noncurrent Liabilities	1,141,079	2,505,000	3,961,507	7,607,586
Total Liabilities	1,423,210	2,505,000	5,985,095	9,913,305
NET ASSETS				
Invested in Capital Assets--Net of Related Debt	2,939,077		3,594,245	6,533,322
Restricted for				
County Roads	1,873,261			1,873,261
Department of Public Works				
Debt Service		78		78
Capital Projects		810		810
County Hospital			3,246,957	3,246,957
Total Net Assets	\$ 4,812,338	\$ 888	\$ 6,841,202	\$ 11,654,428

The Notes to Financial Statements are an integral part of this statement.

BARAGA COUNTY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended September 30, 2004

EXHIBIT J

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Department of Public Works	County Hospital	Total
Governmental Activities								
Road Commission								
Public Works	\$ 2,484,987	\$ 10,252	\$2,196,701	\$2,513,908	\$ 2,235,874			\$ 2,235,874
Interest on Related Debt	26,126				(26,126)			(26,126)
Total Road Commission	2,511,113	10,252	2,196,701	2,513,908	2,209,748	\$ -	\$ -	2,209,748
Department of Public Works								
Public Works	121,092		235,542			114,450		114,450
Interest on Related Debt	115,542					(115,542)		(115,542)
Total Department of Public Works	236,634	-	235,542	-	-	(1,092)	-	(1,092)
Business-Type Activities								
County Hospital								
Health and Welfare	18,289,575	17,583,405					(706,170)	(706,170)
Interest on Related Debt	176,872						(176,872)	(176,872)
Total County Hospital	\$ 18,466,447	\$ 17,583,405	\$ -	\$ -	-	-	(883,042)	(883,042)
General Revenues								
Property Taxes					270,291			270,291
Investment Earnings							35,004	35,004
Other Revenues							11,860	11,860
Special Item--Gain on Sale of Fixed Assets					(1,049)			(1,049)
Transfers							241,151	241,151
Total General Revenues, Special Items and Transfers					269,242	-	288,015	557,257
Change in Net Assets					2,478,990	(1,092)	(595,027)	1,882,871
Net Assets--Beginning of Year					2,333,348	1,980	7,436,229	9,771,557
Net Assets--End of Year					\$ 4,812,338	\$ 888	\$ 6,841,202	\$ 11,654,428

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Baraga County is a municipal corporation governed by an elected 5-member board of commissioners. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present Baraga County (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The component units, discussed in Note B, are included in the county's financial reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the Baraga County Board of Public Works, Baraga County Road Commission and the Baraga County Memorial Hospital. These financial statements are reported in separate columns to emphasize that they are legally separate from the county.

Baraga County Board of Public Works

Pursuant to Michigan Compiled Law (MCL) 123.732, the County of Baraga entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the county board of commissioners and under the immediate control of a Board of Public Works. The Board of Public Works is comprised of four (4) members, two county commissioners and two (2) members selected by the county board of commissioners. The Board of Public Works is considered an agency of the county. The board manages water supply and sanitary sewer system construction projects that are bonded by the County of Baraga. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Baraga County Board of Commissioners. Special assessments are levied by the local units of government on benefited properties and are forwarded to the county for payment of principal and interest. The combining financial statements for the Board of Public Works are presented as part of the discretely presented component units on Exhibits V through Y.

Road Commission

The Baraga County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three-member board of county road commissioners. The Road Commission may not issue debt or levy property taxes without the county board of commissioners' approval. The Road Commission's property taxes are levied under the taxing authority of the county, as approved by the county electors, are included as part of the county's total tax levy and are reported in the County Road Fund.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Memorial Hospital

The Baraga County Memorial Hospital (County Hospital) is a not-for-profit corporation established in accordance with Public Act 230 (County Health Facilities Corporation Act) of 1987. The board of trustees governs it, which is empowered to do all things necessary for the proper operation of the County Hospital. The County Hospital is organized and operated to provide for the health care needs of the community. The primary health care services are acute inpatient, outpatient, and long-term skilled care.

The County Hospital is the sole member of Baraga County Extended Care Corporation (collectively referred to as the "Corporation"), which is a not-for-profit corporation established in accordance with Public Act 230. Baraga County Extended Care Corporation has two divisions: Bayside Village, which owns and operates a 59 bed skilled nursing facility in L'Anse, Michigan; and Baraga County Home Helpers, which provides nonmedical services to home bound patients.

Complete audited or unaudited financial statements of the individual component units can be obtained from their respective administrative offices or from the county clerk's office at the courthouse.

Administrative Offices

Baraga County Clerk
13 North 3rd Street
L'Anse, Michigan 49946

Board of Public Works
13 North 3rd Street
L'Anse, Michigan 49946

Baraga County Road Commission
Highway US 41
L'Anse, Michigan 49946

Baraga County Memorial Hospital
770 North Main Street
L'Anse, Michigan 49946

Jointly Governed Organization--District Health Department

Baraga County, in conjunction with Gogebic, Houghton, Keweenaw, and Ontonagon Counties, has created the Western Upper Peninsula District Health Department under the authority of the Public Health Code. The District Health Board is composed of 2 members from each of the counties who are appointed by each participating county board of commissioners. All of the financial operations of the District Health Department are recorded in the records of Houghton County, as a discretely presented component unit. The funding formula approved by the member counties is based pro rata on each unit's population and State equalized valuation to the district's population and valuation. Member counties' percentages and dollar share of the net operating budget for the year 2004 were:

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>County</u>	<u>Percentage</u>	<u>Dollar Share</u>
Baraga	12%	\$ 50,742
Ontonagon	14%	50,472
Gogebic	27%	83,856
Houghton	44%	175,000
Keweenaw	4%	17,433
Total	<u>100%</u>	<u>\$ 377,503</u>

Baraga County's 2004 actual appropriation to the District Health Department was \$50,742. An additional \$3,713 was appropriated for the Health Department's share of the 2003 State-shared cigarette tax revenues.

Jointly Governed Organization--Community Mental Health Authority

Baraga County, in conjunction with Houghton, Keweenaw and Ontonagon Counties, has created the Copper Country Mental Health Services Board, which is a Community Mental Health Organization defined in the Mental Health Code (Code), MCL 330.1001, et seq., as amended. During 1996, the jointly created board became a Community Mental Health Authority under Section 205 of the Code in accordance with the Urban Cooperation Act. The Copper Country Community Mental Health Services Authority Board is composed of 12 members who are apportioned between the member counties on the basis of population and who's board appointments are approved by their respective county board of commissioners. All of the financial operations of the Mental Health Authority are recorded in the records of Houghton County, as a discretely presented component unit. The funding of the Community Mental Health Authority operations by the member counties is based on an agreement between the Community Mental Health Board and member counties, which provides for single annual appropriations to provide for State institution inpatient costs and community mental health program costs.

The board approved member county appropriations for the Community Mental Health Authority's fiscal year ended September 30, 2004 were as follows:

Baraga	\$ 33,795
Houghton	164,495
Keweenaw	8,500
Ontonagon	<u>48,814</u>
Total	<u>\$ 255,604</u>

Baraga County's appropriation to the District Mental Health Board for the county's fiscal year ended September 30, 2004 was \$33,795.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

The county reports the following major governmental funds:

The General Fund is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 911 Wireless Fund accounts for the state wireless surcharge used to support the 911 service provided by the county.

The Hospital Debt Fund accounts for the bond activity related to the County Hospital.

The county reports the following major proprietary funds:

The 2003 Tax Payment Fund accounts for the county's annual purchase of delinquent real property taxes from each of the local taxing units within the county and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the county's issuance of debt when needed (to provide cash flow for the purchase of the taxes) and for the resulting debt service payment.

Additionally, the county reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The county has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund, the transit fund, and the jail commissary fund are collection fees for delinquent taxes, busing services, and sales commissions, respectively. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less when acquired are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value based on quoted market prices.

Current Property Taxes

The county property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st.

The 2003 State equalized valuation of Baraga County amounted to \$245,698,873 and the taxable valuation is \$167,436,443, on which ad valorem taxes of 8.4797 mills were levied for county operating purposes; 1.00 mills for senior citizens programs; 1.9720 mills for County Road Commission and Villages of Baraga and L'Anse road and street maintenance and improvements; 2.50 mills for County Hospital bond debt and capital improvements; and .8787 mills for county jail bond debt. In addition, specific taxes are levied under the Commercial Forest Reserve Act, payments in lieu of taxes on properties belonging to native americans are received from the Keweenaw Bay Tribal Council, and some of the county taxes are captured by the downtown development authorities of the Villages of Baraga and L'Anse. The current tax revenues reflected in the county's 2004 financial statements consist of the amount of the 2003 tax levy collected in addition to the Commercial Forest Reserve taxes, less taxes captured by the downtown development authorities.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXES RECEIVABLE--DELINQUENT

Enterprise Funds

The delinquent taxes receivable of \$541,578, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Baraga County by the County's 100 Percent Tax Payment Funds for the years 1998, \$151; 1999, \$101; 2000, \$481; 2001, \$2,330; 2002, \$40,530; and 2003, 497,985. Effective with the 2001 tax levy, the county began financing the purchase of delinquent real property taxes with advances from the General Fund and other 100 Percent Tax Payment Funds. Accordingly, none of the delinquent taxes are pledged for the payment notes.

INVENTORIES

Road Commission (Component Unit)

Inventories consisting of equipment parts and supplies of \$128,460 and road materials of \$402,458 are stated at cost based on the first in, first out method. Inventory items are charged to equipment repairs and operations and to road construction and maintenance as used.

County Hospital (Component Unit)

Hospital Operating Fund inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT

Capital Assets--Primary Government and Drain Component Unit

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building	30 to 50 years
Office Furniture and Equipment	3 to 10 years
Vehicles	5 to 10 years

Capital Assets--Road Commission (Component Unit)

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by the Baraga County Road Commission as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB No. 34 recommends major networks and major subsystem of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB No. 34 for phase III governments. The Baraga County Road Commission has capitalized the current year's infrastructure, as required by GASB No. 34, and has reported the infrastructure in the Statement of Net Assets and will retroactively record infrastructure assets from 1980 to the future.

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

County Hospital (Component Unit)

Hospital Operating Fund property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over estimated useful lives of related assets. Cost of maintenance and repairs are charged to expense as incurred.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	10 to 50 years
Equipment	3 to 20 years
Land Improvements	10 to 20 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Compensated Absences (Vacation and Sick Leave)

It is the county's policy to permit employees to accumulate earned unused sick and vacation pay benefits. The liability for unpaid accumulated sick leave is only 50% of the time available according to the county's union contracts and personnel policies. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue--County Hospital (Component Unit)

The County Hospital has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursable costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrong doing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. The net patient service revenue is composed of the following:

Net Patient Service Revenue--County Hospital (Component Unit)

Operating Revenue	
Nursing Services	\$ 7,680,361
Ancillary Services	<u>14,084,818</u>
Total Patient Revenue	21,765,179
Less: Provision for Contractual	
Allowances and Adjustments	(4,392,157)
Provision for Bad Debts	<u>(238,875)</u>
Net Patient Service Revenue	<u>\$ 17,134,147</u>

Estimated Third-Party Settlements--County Hospital (Component Unit)

The County Hospital has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. The County Hospital receives approximately 86% of net patient service revenue under agreements with third party payors. Contractual adjustments under third-party reimbursement programs represent the difference between established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Medicare--The County Hospital is designated as a Critical Access Hospital under Medicare regulations. As such, the hospital receives reasonable, cost-based reimbursement for both inpatient and outpatient services provided to Medicare beneficiaries. Long-term care services are reimbursed at prospectively determined rates per patient day.

Medicaid--Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost-reimbursement method. The County Hospital is reimbursed for outpatient services on an established fee-for-service methodology. Long-term care services are reimbursed at established per diem rates plus cost for allowable ancillary services.

Blue Cross--Services rendered to Blue Cross subscribers are reimbursed at controlled charges.

Cost report settlements result from the adjustment of interim payments to final reimbursement under these programs and are subject to audit by fiscal intermediaries. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the County Hospital's financial statements.

Charity Care--County Hospital (Component Unit)

The County Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the County Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care amounts to less than one percent of patients served.

Tax Status--County Hospital (Component Unit)

The County Hospital is tax exempt under the Internal Revenue Code, and accordingly, no tax provision is reflected in the financial statements.

Principles of Combination--County Hospital (Component Unit)

The County Hospital's financial statements include the combined accounts of Baraga County Memorial Hospital and its subsidiary, Baraga County Extended Care Corporation. All material intercompany balances and transactions have been eliminated.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, which requires the county board of commissioners to approve budgets for the General and special revenue funds. The County Road Fund (special revenue--component unit) budget is adopted and administered by the board of county road commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budgets are adopted at the activity level and control is exercised at that level. The county board of commissioners has authorized the county's chief administrative officer (county clerk) to make General Fund budget transfers between activities in September, when necessary, without increasing the overall budget and with the transfers to be subsequently presented to the board for their review and approval. Also, the board of county road commissioners has authorized its chief administrative officer to amend the County Road Fund budget when necessary by transferring up to 20% from one activity to another.

The budgeted revenues and expenditures for governmental fund types, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

Excess of Expenditures Over Appropriations

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for the General Fund and special revenue funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the fiscal year ended September 30, 2004, expenditures were incurred in excess of amounts appropriated in the amended budgets for the activities or functions of the following special revenue funds:

<u>Fund/Activity or Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Over Expenditures</u>
Friend of the Court			
Judicial	\$ 1,500	\$ 8,080	\$ 6,580
Senior Citizens			
Health and Welfare	165,000	167,000	2,000
Probate Child Care			
Health and Welfare	89,000	93,471	4,471

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the county are at various banks in the name of the county treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The county's deposits are in accordance with statutory authority.

The county has designated six banks within the county for deposit of county funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and includes all of the above investments.

The risk disclosures for the county's deposits at September 30, 2004 for the county and the hospital, respectively, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	<u>\$ 934,704</u>	<u>\$ 3,111</u>	<u>\$ 986,791</u>	<u>\$ 1,924,606</u>
Total	<u><u>\$ 934,704</u></u>	<u><u>\$ 3,111</u></u>	<u><u>\$ 986,791</u></u>	<u><u>\$ 1,924,606</u></u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,924,031	\$ 2,890,980
Petty Cash and Cash on Hand	<u>575</u>	<u>1,230</u>
Total	<u><u>\$ 1,924,606</u></u>	<u><u>\$ 2,892,210</u></u>

The bank balance of the primary government's deposits is \$2,017,034, of which \$378,231 is covered by Federal depository insurance. The component units' deposits had a bank balance of \$2,341,922 of which \$656,360 was covered by Federal depository insurance.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE D--ACCOUNTS RECEIVABLE

Road Commission (Component Unit)

The accounts receivable of the County Road Fund consist primarily of charges to other agencies, businesses and individuals for services and materials provided by the Road Commission on a cost reimbursement basis. All accounts are current and collectible.

County Hospital (Component Unit)

The Hospital Operating Fund accounts receivable balances, at their fiscal year ended September 30, 2004, may be summarized as follows:

Patient Accounts Receivable	\$ 3,752,870
Less: Allowance for Uncollectible Accounts	(581,643)
Allowance for Contractual Adjustments and Interim Payment Advances	<u>(1,583,556)</u>
Patient Accounts Receivable--Net	1,587,671
Due From Other Funds	428,428
Other Accounts Receivable	<u>145,354</u>
Total Accounts Receivable	<u><u>\$ 2,161,453</u></u>

NOTE E--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 167,000	2003 Tax Revolving	\$ 167,000
Nonmajor Enterprise	<u>300,000</u>		<u>(a)</u>
	<u><u>\$ 467,000</u></u>		<u><u>\$ 167,000</u></u>
Component Unit		Primary Government	
Hospital	<u>\$ 428,428</u>	Hospital Bond Debt	<u>\$ 428,428</u>
	<u><u>\$ 428,428</u></u>		<u><u>\$ 428,428</u></u>

(a) \$300,000 is not shown on Exhibit D because it was eliminated in accordance with GASB No. 34 provisions.

COUNTY OF BARAGA
NOTES TO FINANCIAL STATEMENTS

NOTE E--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

The operating transfers can be classified as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers (Out)</u>
Primary Government		Primary Government	
General	\$ 75,330	Nonmajor Enterprise	\$ 75,330
Nonmajor Governmental	<u>89,700</u>	General	<u>89,700</u>
Total Primary Government	<u>\$ 165,030</u>	Total Primary Government	<u>\$ 165,030</u>
Component Unit		Primary Government	
Hospital	<u>\$ 241,151</u>	Hospital Bond Debt	<u>\$ 241,151</u>
	<u>\$ 241,151</u>		<u>\$ 241,151</u>

NOTE F--RESERVE FOR SELF-INSURANCE

Road Commission--(Component Unit)

The Baraga County Board of Road Commissioners' policy is to self-insure for fleet collision coverage and employee group life coverage. The Collision Insurance Reserve Account was established in 1969 and the Life Insurance Reserve Account in 1982. The reserve accounts are funded by annual transfers of amounts equal to what the approximate premium would be on the respective coverage, plus interest earned on interest-bearing deposits of the reserve account. The Road Commission's policy provides that the transfers of premium amounts will be discontinued when the annual interest earnings on the reserve account is greater than the estimated premium cost. All collision repair costs on road equipment and group life benefit payments are expended when paid and closed to the respective reserve account at year end.

	<u>Collision Insurance Reserve</u>	<u>Life Insurance Reserve</u>	<u>Total Self-Insurance Reserve</u>
Balance--October 1, 2003	\$ 146,374	\$ 70,527	\$ 216,901
Additions			
Interest Earned	3,709	1,787	5,496
Deductions			
2003/2004 Charges for Claims	<u> </u>	<u> </u>	<u> </u>
Balance--September 30, 2004	<u>\$ 150,083</u>	<u>\$ 72,314</u>	<u>\$ 222,397</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Account Balances 09/30/03	Additions	Deductions	Account Balances 09/30/04
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 238,000			\$ 238,000
Subtotal	238,000	\$ -	\$ -	238,000
Capital Assets Being Depreciated				
Land Improvements	42,000			42,000
Buildings and Building Improvements	1,976,734			1,976,734
Equipment		37,465		37,465
Vehicles	145,000	20,238		165,238
Total	2,163,734	57,703	-	2,221,437
Less Accumulated Depreciation				
Land Improvements	28,000	1,400		29,400
Buildings and Building Improvements	489,160	43,336		532,496
Equipment		5,371		5,371
Vehicles	120,400	16,448		136,848
Total	637,560	66,555	-	704,115
Net Capital Assets Being Depreciated	1,526,174	57,703	66,555	1,517,322
Total Net Capital Assets	<u>\$1,764,174</u>	<u>\$ 57,703</u>	<u>\$66,555</u>	<u>\$ 1,755,322</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 18,587
Public Safety	<u>47,968</u>
Total Depreciation Expense	<u>\$ 66,555</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Road Commission--Discretely Presented Component Unit

	Account Balances 09/30/03	Additions	Deductions	Account Balances 09/30/04
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 34,277	\$ 72,000		\$ 106,277
Infrastructure Land Improvements		1,401,237		1,401,237
Subtotal	34,277	1,473,237	\$ -	1,507,514
Capital Assets Being Depreciated				
Buildings	473,289	16,780		490,069
Road Equipment	5,193,451	107,755	8,624	5,292,582
Shop Equipment	98,283	1,759	48	99,994
Office Equipment	73,051	630	28,562	45,119
Engineers' Equipment	86,963	16,356		103,319
Stockroom Equipment	41,970	200		42,170
Depletable Assets	53,083			53,083
Infrastructure--Bridges		596,505		596,505
Infrastructure--Roads		448,143		448,143
Total	6,020,090	1,188,129	37,234	7,170,985
Less Accumulated Depreciation				
Buildings	280,933	10,973		291,906
Road Equipment	4,033,922	351,106	7,809	4,377,219
Shop Equipment	77,559	3,948	48	81,459
Office Equipment	61,814	3,240	28,328	36,726
Engineers' Equipment	36,738	10,376		47,114
Stockroom Equipment	30,169	2,985		33,154
Depletable Assets	49,439	385		49,824
Total	4,570,574	383,013	36,185	4,917,402
Net Capital Assets Being Depreciated	1,449,516	1,188,129	384,062	2,253,583
Total Net Capital Assets	<u>\$ 1,483,793</u>	<u>\$ 2,661,366</u>	<u>\$ 384,062</u>	<u>\$ 3,761,097</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Net Equipment Expense	
Direct Equipment	\$ 351,106
Indirect Equipment	16,976
Net Administrative Expenses	
Office	3,240
Engineering	10,376
Building	930
Depletable Assets	<u>385</u>
Total Depreciation Expense	<u><u>\$ 383,013</u></u>

County Hospital--Discretely Presented Component Unit

	Account Balances 09/30/03	Additions	Deductions	Account Balances 09/30/04
Capital Assets Not Being Depreciated				
Land	<u>\$ 153,337</u>	<u></u>	<u></u>	<u>\$ 153,337</u>
Subtotal	<u>153,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>153,337</u>
Capital Assets Being Depreciated				
Land Improvements	460,072	120,966		581,038
Buildings	11,526,825	238,384	46	11,765,163
Equipment	4,918,615	238,654	129,656	5,027,613
Construction in Progress	<u>200,044</u>	<u>114,943</u>	<u>200,044</u>	<u>114,943</u>
Total	<u>17,105,556</u>	<u>712,947</u>	<u>329,746</u>	<u>17,488,757</u>
Less Accumulated Depreciation				
Land Improvements	185,123	38,745		223,868
Buildings	5,331,260	568,525	46	5,899,739
Equipment	<u>3,801,739</u>	<u>290,652</u>	<u>129,656</u>	<u>3,962,735</u>
Total	<u>9,318,122</u>	<u>897,922</u>	<u>129,702</u>	<u>10,086,342</u>
Net Capital Assets Being Depreciated	<u>7,787,434</u>	<u>712,947</u>	<u>1,097,966</u>	<u>7,402,415</u>
Total Net Capital Assets	<u><u>\$ 7,940,771</u></u>	<u><u>\$712,947</u></u>	<u><u>\$ 1,097,966</u></u>	<u><u>\$ 7,555,752</u></u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Construction in progress at September 30, 2004 is composed of costs associated with renovation of buildings. Management anticipates costs to complete these projects will be minimal and will be financed with operating cash flows.

Depreciation expense was \$897,922 for the year ended September 30, 2004.

NOTE H--LONG-TERM DEBT

Primary Government

The general long-term debt and other general long-term obligations of Baraga County, and changes therein, may be summarized as follows:

	Balance 10/01/03	Additions (Reductions)	Balance 09/30/04	Due Within One Year
<u>Primary Government</u>				
1998 Hospital Improvement Refunding Bonds maturing serially in annual amounts ranging from \$10,000 to \$185,000 at interest ranging from 4.10% to 4.80%	\$ 1,405,000	\$ (130,000)	\$ 1,275,000	\$ 130,000
1997 Jail Building Bonds maturing serially in annual amounts ranging from \$25,000 to \$175,000 at interest ranging from 4.65% to 7.5%	1,175,000	(75,000)	1,100,000	100,000
Accrued Employee Benefits Payable County General Employees (See Note I)	94,986	3,187	98,173	
Total Primary Government	<u>\$ 2,674,986</u>	<u>\$ (201,813)</u>	<u>\$ 2,473,173</u>	<u>\$ 230,000</u>
<u>Component Unit--Board of Public Works</u>				
1979 DPW Sanitary Sewer System No. 2 Bonds maturing serially in annual amounts ranging from \$20,000 to \$70,000 at 5% interest	\$ 865,000	\$ (55,000)	\$ 810,000	\$ 55,000
2002 DPW Sanitary Sewer System Bonds maturing serially in annual amounts ranging from \$16,000 to \$95,000 at 4.5% interest	1,592,000	120,000 (17,000)	1,695,000	18,000
Total Component Unit--Board of Public Works	<u>\$ 2,457,000</u>	<u>\$ 48,000</u>	<u>\$ 2,505,000</u>	<u>\$ 73,000</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

	Balance 10/01/03	Additions (Reductions)	Balance 09/30/04	Due Within One Year
<u>Component Unit--Road Commission</u>				
Installment Purchase Agreement				
Payable to Commercial National Bank for				
One CAT D3 Dozer	\$ 45,529	\$ (19,822)	\$ 25,707	\$ 20,456
One Case 821 C Loader	106,234	(46,252)	59,982	47,730
Four-CAT 140H Motor Graders	611,377	(150,046)	461,331	156,669
State Infrastructure Bank Loan		275,000	275,000	
Vested Employee Benefits Payable	344,881	(25,822)	319,059	
Total Component Unit--Road Commission	<u>\$ 1,108,021</u>	<u>\$ 33,058</u>	<u>\$ 1,141,079</u>	<u>\$ 224,855</u>
<u>County Hospital</u>				
Mortgage payable to bank with quarterly interest only				
payments of 5.55% through July 2000, then monthly				
payments of \$20,031 including interest at 5.55%				
beginning August 2000 through June 2006. Thereafter,				
the monthly payment will be recomputed with interest				
at 71% of the bank's prime rate to amortize the				
remaining balance over the life of the loan which				
matures July 2020. This note is collateralized by				
mortgages on real estate.	\$ 2,621,380	\$ (2,621,380)	-	
Mortgage note due in monthly payments of \$20,000,				
including interest at 3.7% through January 2009.				
Thereafter, the monthly payment will be recomputed				
with interest at prime rate, as determined by the				
Wall Street Journal, plus 1.25% over the remaining				
life of the loan, which matures June 2018. This note				
is collateralized by substantially all assets of the				
Hospital Corporation. The proceeds from this		2,642,888		
note were used to refinance the above mortgage note.		(103,803)	\$ 2,539,085	\$ 148,557

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

	Balance 10/01/03	Additions (Reductions)	Balance 09/30/04	Due Within One Year
Bank note payable with montly payments of \$17,444 including interest at 7% due October 2013 and collateralized by all real property, inventory, accounts receivable and equipment other than capital leases.	1,504,375	(1,504,375)	-	
Note payable related to acquisition of equipment due in total monthly payments of \$7,449 including interest ranging from 5.31% to 5.60%, due March 2005 and collateralized by the equipment.	133,493	(133,493)	-	
Mortgae note due to private party with monthly payments of \$1,968, including interest at 6.75% and maturing July 2007.	78,061	(78,061)	-	
Total	<u>\$ 4,337,309</u>	<u>\$ (375,802)</u>	<u>\$ 3,961,507</u>	<u>\$ 333,036</u>
Total Component Units	<u>\$ 7,139,190</u>	<u>\$ (294,744)</u>	<u>\$ 7,607,586</u>	<u>\$ 630,891</u>

Primary Government

1998 Baraga County Memorial Hospital Improvement Refunding Bonds

The 1998 Baraga County Memorial Hospital Improvement Refunding Bonds are general obligation limited tax bonds which were sold for the purpose of providing funds to redeem \$1,370,000 of those 1991 Baraga County Memorial Hospital Improvement Bonds which were due in the years 2002 through 2011. The bonds are secured by a pledge of the extra voted 2.5 mills approved by the voters of Baraga County on October 2, 1990 to provide the money required to meet the principal and interest on these bonds.

Fiscal Year	April 1 Interest	October 1		Total
		Interest	Principal	
2005	\$ 26,956	\$ 29,849	\$ 130,000	\$ 186,805
2006	23,771	26,956	140,000	190,727
2007	20,321	23,771	150,000	194,092
2008	16,718	20,321	155,000	192,039
2009	12,840	16,718	165,000	194,558
2010-2011	13,200	26,040	535,000	574,240
	<u>\$113,806</u>	<u>\$143,655</u>	<u>\$1,275,000</u>	<u>\$1,532,461</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

1997 Jail Building Bonds

The 1997 Baraga County Jail Bonds are general obligation unlimited tax bonds which were sold for the purpose of building a new jail. The bonds are secured by a pledge of the extra voted mills approved by the voters of Baraga County on August 6, 1996 to provide the money required to meet the principal and interest on these bonds

Fiscal Year	October 1 Interest	April 1		Total
		Interest	Principal	
2004	\$ 27,269	\$ 27,269	\$ 100,000	\$ 154,538
2006	24,893	24,894	100,000	149,787
2007	22,469	22,469	125,000	169,938
2008	19,375	19,375	125,000	163,750
2009	16,250	16,250	150,000	182,500
2010-2012	25,625	25,624	500,000	551,249
	<u>\$135,881</u>	<u>\$135,881</u>	<u>\$1,100,000</u>	<u>\$1,371,762</u>

Component Unit--Board of Public Works

1979 DPW Sewage System #2 Bonds

The 1979 DPW Sewage System #2 Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewage system improvement project for the Village of L'Anse and Township of L'Anse, which was administered by the Baraga County Department of Public Works. Annual payments by L'Anse Village (83.6%) and L'Anse Township (16.4%) to the county, in accordance with a contractual agreement, provide the money required to meet principal and interest on these bonds.

Fiscal Year	November 1 Interest	May 1		Total
		Interest	Principal	
2005	\$ 20,250	\$ 20,250	\$ 55,000	\$ 95,500
2006	18,875	18,875	60,000	97,750
2007	17,375	17,375	60,000	94,750
2008	15,875	15,875	65,000	96,750
2009	14,250	14,250	65,000	93,500
2010-2014	46,375	46,375	330,000	422,750
2015-2017	8,250	8,250	175,000	191,500
	<u>\$ 141,250</u>	<u>\$141,250</u>	<u>\$810,000</u>	<u>\$ 1,092,500</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

2002 DPW Sewage System Improvements Bonds

The 2002 DPW Sanitary Sewage System Improvements Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewage system improvement project for the Village of L'Anse and Township of L'Anse, which was administered by the Baraga County Department of Public Works. Annual payments by L'Anse Village (83.56%) and L'Anse Township (16.44%) to the county, in accordance with a contractual agreement, provide the money required to meet principal and interest on these bonds. The total bond issue approved by the U.S. Department of Agriculture, Rural Development is \$1,750,000. As of September 30, 2004, a total of \$1,728,000 of this bond issue has been drawn down for the sewage system improvement project with interest payable at 4.5% per annum with interest payable semi-annually. There is no set interest schedule printed for bond issues because it changes based upon when the payment is delivered to the USDA.

<u>Fiscal Year</u>	<u>July 1 Principal</u>
2005	\$ 18,000
2006	19,000
2007	20,000
2008	20,000
2009	21,000
2010-2014	120,000
2015-2019	152,000
2020-2024	188,000
2025-2029	235,000
2030-2034	293,000
2035-2039	366,000
2010-2042	<u>243,000</u>
	<u><u>\$ 1,695,000</u></u>

Component Unit--Road Commission

Installment Purchase Contracts

The installment purchase contract was entered into on December 19, 2002 for the purchase of one CAT D3 Dozer for at a cost of \$60,000 from Commercial National Bank. The agreement bears interest at 3.04% per annum with 36 monthly payments of \$1,745.99 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$20,456	\$ 496	\$ 20,952
2006	<u>5,251</u>	<u>26</u>	<u>5,277</u>
Total	<u><u>\$25,707</u></u>	<u><u>\$ 522</u></u>	<u><u>\$ 26,229</u></u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

The installment purchase contract was entered into on January 2, 2003 for the purchase of One Case 821 C Loader at a cost of \$140,000 from Commercial National Bank. The agreement bears interest at 3.04% per annum with 36 monthly payments of \$4,073.97 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$47,730	\$1,158	\$48,888
2006	<u>12,252</u>	<u>89</u>	<u>12,341</u>
Total	<u>\$59,982</u>	<u>\$1,247</u>	<u>\$61,229</u>

The installment purchase contract was entered into on July 16, 2003 for the purchase of Four-CAT 140H Motor Graders for a total cost of \$635,802 from Commercial National Bank. The agreement bears interest at 4.04% per annum with 48 monthly payments of \$14,367.19 and is summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$156,669	\$15,738	\$172,407
2006	163,116	9,290	172,406
2007	<u>141,546</u>	<u>2,625</u>	<u>144,171</u>
Total	<u>\$461,331</u>	<u>\$27,653</u>	<u>\$488,984</u>

The State Infrastructure Bank loan contract was entered into on February 13, 2004 for the purchase of financing infrastructure improvements for a total cost of \$275,000 from Michigan Department of Treasury. The agreement bears no interest and the full amount is due February 13, 2007.

The County Hospital's long-term liabilities are summarized as follows:

The following is a schedule by years of debt principal and interest as of September 30, 2004:

	<u>Principal</u>	<u>Interest</u>
2005	\$333,036	\$140,964
2006	345,570	128,430
2007	358,575	115,425
2008	371,779	102,221
2009	386,061	87,939
2010-2014	1,391,141	252,740
2015-2019	<u>775,345</u>	<u>51,731</u>
	<u>\$3,961,507</u>	<u>\$879,450</u>

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

In connection with the mortgage and bank notes payable, the corporation has agreed to certain covenants including submission of monthly financial statements to the banks, limitation on additional debt, and maintenance of certain financial ratios. The lender has waived compliance on the maintenance of the financial ratios for the year ended September 30, 2004 and agreed not to apply this covenant until September 30, 2005.

NOTE I--COMPENSATED ABSENCES

The County and the Road Commission (component unit) have an accrued liability to their employees for accumulated vested vacation and sick leave benefits which are recorded in their respective general long-term debt account groups at September 30, 2004.

County Hospital (Component Unit)

The accrued liability for compensated absences of the County Hospital employees is charged to operations when it is earned. Unused benefits are recorded as current liabilities on the County Hospital financial statements.

VACATION BENEFIT POLICIES

County General Employees

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on an employee's years of service. The annual vacation benefits earned by each employee are credited on his or her employment anniversary date. Employees are required to use their vacation benefits within 1 year.

Road Commission (Component Unit) Employees

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of an employee. The amount of vacation time accrued by December 31st of the current year shall be taken off the following year.

SICK LEAVE BENEFIT POLICIES

County General Employees

The county's employment policies provide for sick leave benefits to be earned at the rate of 1 day per month for full-time employees and 1/2 day per month for half-time employees, with a maximum accumulation of 120 days. An employee may use sick days for personal days at the rate of 2 sick for 1 personal; this may be done twice a year, regardless of the total sick days accumulated. After 48 sick days have been accumulated, with the approval of the department head, an employee may trade sick days on a 2-to-1 ratio for personal days.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES (Continued)

When county general employees separate from employment, for whatever reason, they are paid at their current pay rate for accumulated sick days up to a maximum payment of 60 days, determined on the basis of total years of employment with the county as follows:

- | | |
|---|-------------|
| a) Starting date through the end of 10th year of employment | 50 percent |
| b) First day of 11th employment year to termination of employment | 100 percent |

Road Commission (Component Unit) Employees

The Road Commission employment policies provide for sick leave benefits to accumulate at the rate of 1 day per month for all regular employees who have worked more than 1/2 of the normal working hours during the month. There is no limit on accumulation of sick leave, and accumulated benefits shall be paid at the employee's prevailing rate of pay in accordance with the following policy:

- a) Retirement or Death--An employee shall receive pay in a lump sum for accumulated sick leave at the following rate: 100% of the first 120 days and 50% of the remainder.
- b) Resignation--An employee shall receive pay in a lump sum for accumulated vested sick leave computed as follows:

0 to 5 years	No sick leave benefits
5 to 10 years	50% of accumulated benefits
10 to 15 years	75% of the first 120 days and 50% of the remainder
15 or more years	100% of the first 120 days and 50% of the remainder

The sick leave benefits liability recorded in the general long-term debt account group reflects only those vested benefits which would be payable if an employee terminates employment.

NOTE J--RISK MANAGEMENT

The County, Road Commission (component unit), and Memorial Hospital (component unit) are exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees.

County General

The county board of commissioners have purchased commercial insurance for property, liability, errors and omissions, medical benefit claims and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE J--RISK MANAGEMENT (Continued)

Road Commission (Component Unit)

The Road Commission has purchased commercial insurance for medical benefit claims, self-insures for fleet collision and employee group life coverage as detailed in Note H, and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial and pool insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool), pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Baraga County Road Commission became a member of the Pool in 1980 for workers' compensation insurance and in 1984 for liability and property coverage.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

County Hospital (Component Unit)

The County Hospital is exposed to various risks of loss related to property loss, errors and omissions, employee injuries (workers' compensation), and professional liability claims as well as medical benefits provided to employees. The County Hospital has purchased commercial insurance for the above claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance in any of the past three years.

The County Hospital is insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy the County Hospital must pay a deductible towards the costs of litigating or settling any asserted claims. In addition, the County Hospital bears the risk of the ultimate costs of any individual claims exceeding the policy limits for claims asserted in the policy year. At September 30, 2004 and 2003, \$0 and \$15,035, respectively, were accrued for this contingency.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEE PENSION PLANS--PRIMARY GOVERNMENT

Plan Description

Baraga County is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty-connected death allowance and post-retirement adjustments to plan members and their beneficiaries. The county service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation for the General County Employees and Sheriffs Department. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2003.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, MCL 46.12(a), as amended, State of Michigan. MERS is regulated under Public Act 220 of 1996, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the county's competitive bargaining units. The county's pension contributions were 13.8% and 9.86% of covered payroll for the year 2003 for the general county employees and sheriff's department, respectively.

Annual Pension Cost

For the calendar year ended December 31, 2003, the county's pension cost was \$117,794 which was equal to the county's required and actual contributions. The required pension contributions for the year 2003 was determined as part of an actuarial valuation at December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEE PENSION PLANS--PRIMARY GOVERNMENT (Continued)

Three-Year Trend Information for GASB Statement No. 27

<u>Ended Dec 31</u>	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Pension Obligation</u>
2001	\$ 117,350	100%	\$0
2002	120,402	100%	0
2003	117,794	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/01	\$ 2,697,535	\$ 3,144,769	\$ (447,434)	86%	\$ 898,945	50%
12/31/02	2,792,254	3,394,253	(601,999)	82%	901,428	67%
12/31/03	2,981,077	3,596,587	(615,510)	83%	976,332	63%

NOTE L--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT)

Description of Plan and Plan Assets

The Baraga County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.00% times the final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, MCL 46.12(a), as amended, State of Michigan. The MERS actuarial report was made in accordance with generally recognized actuarial methods in compliance with Public Act 220 of 1996, as amended, and the MERS plan document as revised. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE L--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT) (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 10.92% for the calendar year ending December 31, 2003.

Annual Pension Cost

During the calendar year ended December 31, 2003, the Road Commission's contributions totaling \$120,071 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$109,257	100%	\$0
2002	114,527	100%	0
2003	113,841	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/01	\$4,195,600	\$4,817,718	\$ 622,118	87%	\$ 958,639	65%
12/31/02	4,139,171	5,175,064	1,035,893	80%	1,003,239	103%
12/31/03	4,195,102	5,630,744	1,435,642	75%	1,078,124	133%

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE L--COUNTY ROAD COMMISSION PENSION PLAN (COMPONENT UNIT) (Continued)

Significant actuarial assumptions used include:

- 1) Long-term investment yield rate of 8%;
- 2) Annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases; and
- 3) Base inflation of 4.5%.

NOTE M--COUNTY HOSPITAL PENSION PLAN (COMPONENT UNIT)

Plan Description

The County Hospital sponsors both a defined benefit plan and a defined contribution plan. The County Hospital participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the County Hospital. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan, 48917.

Funding Policy

Benefit provisions of the MERS, and employer and employee obligations to contribute are outlined in Public Act 427 of 1984, as amended. Pension expenses consist of normal costs of the plan and amortization of investment gains over a 10-year period.

Annual Pension Cost

The County Hospital's contributions to the plan amounted to \$447,715 and \$400,190 in 2004 and 2003, respectively. The actuarially determined contribution requirements have been met based on actuarial valuations performed at December 31, 2003 and 2002.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE M--COUNTY HOSPITAL PENSION PLAN (COMPONENT UNIT) (Continued)

Three-year trend information showing the progress of the County Hospital's status regarding key indicators is as follows:

	As of December 31		
	2003	2002	2001
Annual Pension Cost (APC)	\$ 400,190	\$ 400,190	\$ 395,507
Percentage of APC Contributed	100%	100%	100%
Actuarial Value of Assets	7,293,365	6,569,879	6,166,206
Actuarial Accrued Liability (entry age)	10,560,612	9,626,520	8,833,291
Unfunded Actuarial Accrued Liability (UAAL)	(3,267,247)	(3,056,641)	(2,667,085)
Funded Ratio	69.06%	68.25%	69.81%
Covered Payroll	5,217,454	4,864,914	4,813,285
UAAL as a Percentage of Covered Payroll	62.62%	62.83%	55.41%

Defined Contribution

The County Hospital began sponsoring a defined contribution plan during the year ended September 30, 2001, covering exempt employees hired after May 1, 2001 and all other exempt employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute either 0 or 3 percent of their gross earnings and the County Hospital will contribute 5.57 percent of gross earnings for participants. The County Hospital's contributions to the plan amounted to \$75,854 and \$58,732 in 2004 and 2003, respectively.

NOTE N--HOSPITAL BOND DEBT MILLAGE

In October 1990, Baraga County voters approved a referendum authorizing the county to issue general obligation bonds in the amount of \$2,000,000 with the proceeds used to partially finance a hospital construction project. Debt service on the bonds is being provided by an additional tax of 2.5 mills; the County Hospital has no obligation for repayment of the bonds. Tax receipts received by the county from the 2.5 mills that exceed the annual debt service on the bonds are to be utilized by the County Hospital for capital expenditures. During the years ended September 30, 2004 and 2003, the excess millage funds amounted to \$241,151 and \$225,719, respectively, which are shown as an increase to the County Hospital's general fund balance. At September 30, 2004 and 2003, the County Hospital had a receivable of \$428,428 and \$4437,277, respectively, for these funds.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE O--CONCENTRATIONS OF CREDIT RISK--COUNTY HOSPITAL (COMPONENT UNIT)

The County Hospital (component unit) is located in L'Anse, Michigan. The County Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2004 and 2003, was as follows:

Medicare	28%	31%
Medicaid	27%	35%
Blue Cross	16%	11%
Commercial	12%	9%
Patients	<u>17%</u>	<u>14%</u>
Total	<u>100%</u>	<u>100%</u>

NOTE P--POST-EMPLOYMENT BENEFITS

Primary Government

The county provides post-employment health care benefits, in accordance with Article 32 of the labor contracts and personnel policy, to any employees who retire from the county at age 62 with 14 years of continuous service with the county work force. The county will pay hospitalization premiums until the employee reaches age 65. Coverage is intended for the entire family. The provision does not apply to anyone retiring before age 62 or anyone not working full-time. The county's policy is to finance this benefit on a pay-as-you-go basis. During the fiscal year ended September 30, 2004, one retiree and/or disabled employees was eligible for this benefit at a total cost of \$6,162.

Road Commission (Component Unit)

In addition to the pension benefits described in Note O, the Baraga County Road Commission provides post-employment health care insurance benefits to certain retired or permanently disabled union and administrative employees and/or their spouse in accordance with the following provisions:

Retired Union Employees--The benefits are provided in accordance with Article 33(A.2) of the union agreement, which includes the provision that when an employee elects to retire early, the Road Commission agrees to pay the medical insurance premium from age 62 to 65 or until the employee qualifies for Medicare, whichever comes sooner.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE P--POST-EMPLOYMENT BENEFITS (Continued)

Retired Administrative Employees--The benefits are provided in accordance with Section 10(A.2) of the "General Employee Policy pertaining to Non-Bargaining Unit Employees," which includes the provision that when an employee elects to retire early, the Road Commission agrees to pay the medical insurance premium from age 60 to 65 or until the employee qualified for Medicare, whichever comes sooner.

Permanently Disabled Employees--The benefits are provided in accordance with a board of road commissioners' policy adopted on November 13, 1996, which includes the provision that any regular employee having 20 years of service with the Road Commission who becomes permanently disabled, or any regular employee having 5 years of service with the Road Commission, who becomes permanently disabled after reaching age 55, shall be eligible for health insurance benefits for a 36 month period. Said period shall commence the month after the month of the last day worked. Eligible employees are those who have been determined to be permanently disabled and are receiving social security disability and MERS retirement benefits. During the three year period under this policy, the Road Commission will pay the premiums for primary coverage until such time that the employee qualifies for Medicare Part B, at which time the Road Commission will pay the premium for secondary coverage.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During the fiscal year ended September 30, 2004, eight retirees and/or disabled employees were eligible for this benefit at a total cost of \$74,935.

NOTE Q--FEDERAL GRANTS--ROAD COMMISSION (COMPONENT UNIT)

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2004, the Federal aid expended by the Road Commission was \$1,035,140 for contracted projects and \$978,203 for negotiated projects. The Federal aid received by the Road Commission was \$1,035,140 for contracted projects and \$814,294 for negotiated projects. The difference between the revenue and expenditures for negotiated projects is due to FEMA projects in progress at September 30, 2004, which are to be billed after project completions. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's Single Audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission and are subject to a single audit if the expenditures exceeded \$500,000. A Single Audit was performed during the fiscal year ended September 30, 2004, as there was \$978,203 expended in Federal Awards.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE R--DEFERRED COMPENSATION

Primary Government

Baraga County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of the Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in these financial statements.

Road Commission (Component Unit)

The Baraga County Road Commission offers all Road Commission employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. During 1998, the assets of the plan were held in a trust in a custodial account as described in IRS Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrator (PEBSCO) is agent of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to, or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

NOTE S--CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2004, the Baraga County and its component units implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the accrual basis of accounting.

COUNTY OF BARAGA

NOTES TO FINANCIAL STATEMENTS

NOTE S--CHANGE IN ACCOUNTING PRINCIPLE (Continued)

Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating contributed capital accounts and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement No. 34.

COUNTY OF BARAGA
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2004

EXHIBIT K

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance--October 1, 2003	\$ 491,144	\$ 491,144	\$ 491,144	-
Resources (Inflows)				
Property Taxes	1,522,442	1,543,942	1,576,892	\$ 32,950
Licenses and Permits	3,200	3,200	2,927	(273)
Federal Grants	51,700	221,089	114,788	(106,301)
State Grants	507,836	447,738	455,729	7,991
Charges for Services	348,450	319,650	334,860	15,210
Fines and Forfeitures	11,000	10,300	9,410	(890)
Interest and Rentals	15,000	19,000	19,785	785
Other Revenue	55,109	58,109	56,563	(1,546)
Transfers From Other Funds	75,000	75,000	75,330	330
Amounts Available for Appropriation	3,080,881	3,189,172	3,137,428	(51,744)
Charges to Appropriations (Outflows)				
Current				
General Government	1,113,102	1,518,611	1,413,025	105,586
Public Safety	533,865	1,009,796	880,908	128,888
Health and Welfare	118,548	160,020	159,686	334
Community and Economic Development	6,496	6,496	6,096	400
Recreation and Culture	2,500	4,000	4,000	-
Other Functions	677,726	89,890	85,062	4,828
Capital Outlay	72,800	68,397	57,703	10,694
Transfers to Other Funds	64,700	90,000	89,700	300
Total Charges to Appropriations	2,589,737	2,947,210	2,696,180	251,030
Fund Balance--September 30, 2004	\$ 491,144	\$ 241,962	\$ 441,248	\$ 199,286

BARAGA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
911 WIRELESS MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2004

EXHIBIT L

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State Grants	\$ 60,000	\$ 60,000	\$ 76,329	\$ 16,329
Total Revenues	60,000	60,000	76,329	16,329
Expenditures				
Current				
Public Safety	75,000	75,000	67,289	7,711
Total Expenditures	75,000	75,000	67,289	7,711
Excess of Revenues Over (Under) Expenditures	(15,000)	(15,000)	9,040	24,040
Fund Balance--October 1, 2003	166,910	166,910	176,404	9,494
Fund Balance--September 30, 2004	\$ 151,910	\$ 151,910	\$ 185,444	\$ 33,534

COUNTY OF BARAGA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2004

EXHIBIT M

	SPECIAL REVENUE FUNDS								DEBT SERVICE FUND	
	Friend of the Court	Register of Deeds Automation	Senior Citizens	Law Library	Housing Rehabilitation 2003-2004 Grant	Probate Child Care	Veterans' Affairs	Veterans' Trust	Jail Bond Debt	Total
<u>ASSETS</u>										
Cash	\$ 29,423	\$ 3,824	\$ 4,803	\$ 665	\$ 17,269	\$ 9,864	\$ 812	\$ 3,513	\$ 90,947	\$ 161,120
Due From State of Michigan						167				167
Due From Other Agencies			4,244						3,996	8,240
Total Assets	\$ 29,423	\$ 3,824	\$ 9,047	\$ 665	\$ 17,269	\$ 10,031	\$ 812	\$ 3,513	\$ 94,943	\$ 169,527
<u>LIABILITIES AND FUND EQUITY</u>										
Liabilities										
Accounts Payable			\$ 223			\$ 1,015	\$ 262			\$ 1,500
Accrued Wages Payable		\$ 49					55			104
Due to State of Michigan						817				817
Deferred Revenue--Other					\$ 14,947					14,947
Tax Chargebacks Payable									\$ 209	209
Total Liabilities	\$ -	\$ 49	223	\$ -	14,947	1,832	317	\$ -	\$ 209	17,577
Fund Equity										
Fund Balances										
Unreserved--Undesignated	29,423	3,775	8,824	665	2,322	8,199	495	3,513		57,216
Reserved for Debt Service									94,734	94,734
Total Fund Equity	29,423	3,775	8,824	665	2,322	8,199	495	3,513	94,734	151,950
Total Liabilities and Fund Equity	\$ 29,423	\$ 3,824	\$ 9,047	\$ 665	\$ 17,269	\$ 10,031	\$ 812	\$ 3,513	\$ 94,943	\$ 169,527

BARAGA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2004

EXHIBIT N

	SPECIAL REVENUE FUNDS								DEBT SERVICE FUND	
	Friend of the Court	Register of Deeds Automation	Senior Citizens	Law Library	Housing Rehabilitation 2003-2004 Grant	Probate Child Care	Veterans' Affairs	Veterans' Trust	Jail Bond Debt	Total
Revenues										
Taxes			\$ 174,549						\$ 153,373	\$ 327,922
Federal Grants					\$ 84,135	\$ 6,630				90,765
State Grants			1,268			5,977			1,114	8,359
Charges for Services	\$ 630	\$ 5,265			300	808				7,003
Fines and Forfeits				\$ 2,000						2,000
Other					13,825	3,151			709	17,685
Total Revenues	630	5,265	175,817	2,000	98,260	16,566	\$ -	\$ -	155,196	453,734
Expenditures										
Current										
General Government	8,080	8,759		6,049						22,888
Health and Welfare			167,000			93,471	15,985	49		276,505
Community and Economic Development					98,875					98,875
Debt Service										
Principal									75,000	75,000
Interest									58,375	58,375
Total Expenditures	8,080	8,759	167,000	6,049	98,875	93,471	15,985	49	133,375	531,643
Excess of Revenue Over (Under)										
Expenditures	(7,450)	(3,494)	8,817	(4,049)	(615)	(76,905)	(15,985)	(49)	21,821	(77,909)
Other Financing Sources (Uses)										
Primary Government										
Operating Transfers In				4,500		80,000	5,200			89,700
Total Other Financing Sources (Uses)	-	-	-	4,500	-	80,000	5,200	-	-	89,700
Fund Balance--October 1, 2003	36,873	7,269	7	214	2,937	5,104	11,280	3,562	72,913	140,159
Excess of Revenues and Other										
Sources Over (Under)										
Expenditures and Other Uses	(7,450)	(3,494)	8,817	451	(615)	3,095	(10,785)	(49)	21,821	11,791
Fund Balance--September 30, 2004	\$ 29,423	\$ 3,775	\$ 8,824	\$ 665	\$ 2,322	\$ 8,199	\$ 495	\$ 3,513	\$ 94,734	\$ 151,950

**COUNTY OF BARAGA
COMBINING NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
September 30, 2004**

EXHIBIT O

8

	100% TAX PAYMENT FUNDS						
	1997	1998	1999	2000	2001	2002	Total
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ -	\$ 490	\$ 580	\$ 383	\$ 579	\$ 659	\$ 2,691
Delinquent Taxes Receivable		151	101	481	2,330	40,530	43,593
Due From Other Funds		53,000	62,000	69,000	84,000	32,000	300,000
Forfeiture Fees Receivable			135	72		460	667
Total Assets	\$ -	\$ 53,641	\$ 62,816	\$ 69,936	\$ 86,909	\$ 73,649	\$ 346,951
<u>LIABILITIES</u>							
Liabilities							
Due to State of Michigan						\$ 1,585	\$ 1,585
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	1,585	1,585
<u>NET ASSETS</u>							
Unrestricted	-	53,641	62,816	69,936	86,909	72,064	345,366
Total Net Assets	\$ -	\$ 53,641	\$ 62,816	\$ 69,936	\$ 86,909	\$ 72,064	\$ 345,366

COUNTY OF BARAGA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--ENTERPRISE FUNDS (NON-MAJOR)
For the Fiscal Year Ended September 30, 2004

EXHIBIT P

	100% TAX PAYMENT FUNDS						
	1997	1998	1999	2000	2001	2002	Total
Operating Revenues							
Interest and Penalties on Taxes		\$ 250	\$ 3,978	\$ 4,789	\$ 15,186	\$ 34,381	\$ 58,584
Total Operating Revenues	\$ -	250	3,978	4,789	15,186	34,381	58,584
Operating Expenses							
Stationary and Office Supplies						1,470	1,470
Postage						1,030	1,030
Total Operating Expense	-	-	-	-	-	2,500	2,500
Net Operating Income	-	250	3,978	4,789	15,186	31,881	56,084
Nonoperating Revenues (Expenses)							
Interest Earned on Deposits						4,717	4,717
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	4,717	4,717
Net Income (Loss) Before Operating Transfers	-	250	3,978	4,789	15,186	36,598	60,801
Operating Transfers							
Transfer (Out)--Primary Government	(60,330)	(15,000)	-	-	-	-	(75,330)
Net Income (Loss)	(60,330)	(14,750)	3,978	4,789	15,186	36,598	(14,529)
Net Assets--October 1, 2003	60,330	68,391	58,838	65,147	71,723	35,466	359,895
Net Assets--September 30, 2004	\$ -	\$ 53,641	\$ 62,816	\$ 69,936	\$ 86,909	\$ 72,064	\$ 345,366

COUNTY OF BARAGA
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2004

EXHIBIT Q

	100% TAX PAYMENT FUNDS						
	1997	1998	1999	2000	2001	2002	Total
Cash Flows From Operating Activities							
Interest and Penalties on Taxes		\$ 250	\$ 3,978	\$ 4,789	\$ 15,186	\$ 34,381	\$ 58,584
Stationary, Postage and Printing						(2,500)	(2,500)
Delinquent Taxes Collected		393	7,770	11,897	38,065	180,927	239,052
Net Cash Provided by Operating Activities	\$ -	643	11,748	16,686	53,251	212,808	295,136
Cash Flows From Noncapital Financing Activities							
(Increase) or Decrease in Other Receivables				9	585	(460)	134
(Increase) or Decrease in Advances to Other Funds		9,000	(13,000)	(19,000)	(59,000)	(32,000)	(114,000)
Increase or (Decrease) in Other Payables					(210)	1,585	1,375
Increase or (Decrease) in Advances From Other Funds						(186,000)	(186,000)
Transfers (Out)	(60,330)	(15,000)					(75,330)
Net Cash Provided by Noncapital Financing Activities	(60,330)	(6,000)	(13,000)	(18,991)	(58,625)	(216,875)	(373,821)
Cash Flows From Investing Activities							
Interest Earned						4,717	4,717
Net Cash Provided Investing Activities	-	-	-	-	-	4,717	4,717
Net Increase (Decrease) in Cash and Cash Equivalents	(60,330)	(5,357)	(1,252)	(2,305)	(5,374)	650	(73,968)
Cash and Cash Equivalents--October 1, 2003	60,330	5,847	1,832	2,688	5,953	9	76,659
Cash and Cash Equivalents--September 30, 2004	\$ -	\$ 490	\$ 580	\$ 383	\$ 579	\$ 659	\$ 2,691
Reconciliation of Operating Income to Net Cash Provided by Operating Activity							
Operating Income (Loss)		\$ 250	\$ 3,978	\$ 4,789	\$ 15,186	\$ 31,881	\$ 56,084
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities							
(Increase) Decrease in Assets							
Delinquent Taxes Receivable		393	7,770	11,897	38,065	180,927	239,052
Net Cash Provided by Operating Activities	\$ -	\$ 643	\$ 11,748	\$ 16,686	\$ 53,251	\$ 212,808	\$ 295,136

**BARAGA COUNTY
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
September 30, 2004**

EXHIBIT R

	Trust and Agency	Library	Total
<hr/>			
<u>ASSETS</u>			
Cash	\$ 970,742	\$ 16,049	\$ 986,791
	<hr/>		
Total Assets	\$ 970,742	\$ 16,049	\$ 986,791
	<hr/> <hr/>		
<u>LIABILITIES</u>			
Due to Villages	\$ 2,583		\$ 2,583
Due to State of Michigan	322,259		322,259
Undistributed Penal Fines		\$ 15,990	15,990
Undistributed Interest		59	59
Undistributed Tax Collections	614,062		614,062
Other Trust Items Payable	31,838		31,838
	<hr/>		
Total Liabilities	\$ 970,742	\$ 16,049	\$ 986,791
	<hr/> <hr/>		

BARAGA COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Fiscal Year Ended September 30, 2004

EXHIBIT S

	Balance 10/01/03	Additions	Deductions	Balance 09/30/04
<u>TRUST AND AGENCY FUND</u>				
Assets				
Cash	\$ 495,587	\$ 5,503,531	\$ 5,028,376	\$ 970,742
Total Assets	\$ 495,587	\$ 5,503,531	\$ 5,028,376	\$ 970,742
Liabilities				
Due to Other Funds	\$ (160)	\$ 2,372,156	\$ 2,371,996	-
Due to Component Units	(26)	283,690	283,664	-
Due to Schools	(290)	400,923	400,633	-
Due to Townships	1,979	185,756	187,735	-
Due to Villages	307	180,412	178,136	\$ 2,583
Due to State of Michigan	223,765	1,482,633	1,384,139	322,259
Undistributed Tax Collections	239,443	3,378,858	3,004,239	614,062
Other Trust Items Payable	30,569	224,837	223,568	31,838
Total Liabilities	\$ 495,587	\$ 8,509,265	\$ 8,034,110	\$ 970,742
<u>LIBRARY FUND</u>				
Assets				
Cash	\$ 14,447	\$ 51,620	\$ 50,018	\$ 16,049
Liabilities				
Undistributed Interest	45	143	129	59
Undistributed Penal Fines	14,402	51,478	49,890	15,990
Total Liabilities	\$ 14,447	\$ 51,621	\$ 50,019	\$ 16,049

COUNTY OF BARAGA
STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2004

EXHIBIT T

	2003 Original Budget	2004 Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Current Property Taxes	\$ 1,235,492	\$ 1,241,492	\$ 1,240,488	\$ (1,004)
Delinquent Real Property Tax	120,000	136,000	168,632	32,632
Unpaid Personal Property Tax	6,000	1,000	1,320	320
Stumpage Yield Tax	2,000	2,000	1,842	(158)
Commercial Forest Tax (State)	45,000	46,500	46,527	27
Trailer Park Tax	150	150	111	(39)
Swamp Lands Tax	73,000	73,000	73,020	20
Federal Payments-in-Lieu of Taxes	40,000	43,000	43,317	317
Tax Collection Fees	800	800	1,635	835
Total Taxes	1,522,442	1,543,942	1,576,892	32,950
Licenses and Permits				
Marriage Licenses	250	250	270	20
Marriage License Counseling Fees	700	700	810	110
Dog Licenses	250	250	317	67
Soil Erosion Permits	1,500	1,500	1,530	30
Other--Non Business	500	500	-	(500)
Total Licenses and Permits	3,200	3,200	2,927	(273)
Federal Grants				
Emergency Services Program	8,500	7,500	6,173	(1,327)
Domestic Preparedness/Homeland Security Grants	-	176,589	71,852	(104,737)
Cooperative Reimbursement Program	26,000	24,000	23,165	(835)
ADC Incentive Program	17,200	13,000	13,598	598
Total Federal Grants	51,700	221,089	114,788	(106,301)
State Grants				
Judges' Salary Standardization	47,933	47,933	48,155	222
Snowmobile Safety Program	5,500	3,700	3,727	27
Secondary Road Patrol	38,395	42,895	37,693	(5,202)
Marine Safety Program	12,300	7,900	7,904	4
Act 302 Officer Training	1,800	1,300	2,029	729
Cooperative Reimbursement Program	-	-	1,232	1,232
Child Care Basic Grant	15,000	15,000	15,000	-
Court Case Flow Assistance	3,000	3,000	2,583	(417)
Court Equity Fund	50,000	50,000	65,414	15,414
Prison Inmate Prosecution	28,000	4,000	4,023	23
Juvenile Officer	27,317	27,319	27,315	(4)
Diverted Felons Program	12,000	2,000	-	(2,000)
Crime Victims Rights	9,000	9,000	297	(8,703)
Prison Inmate Defense	20,000	4,000	13,311	9,311
Cigarette Tax	4,633	5,233	5,260	27
Convention Facilities Tax	27,641	28,641	26,634	(2,007)
State Revenue Sharing	138,000	130,000	131,622	1,622
State Single Business Tax	12,270	10,770	10,748	(22)
Remonumentation Program	55,047	55,047	48,796	(6,251)
Computer System Grant--Courts	-	-	3,986	3,986
Total State Grants	507,836	447,738	455,729	7,991

COUNTY OF BARAGA
STATEMENT OF REVENUES AND OTHER SOURCES--BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2004

EXHIBIT T
(CONTINUED)

	2003 Original Budget	2004 Amended Budget	Actual	Variance Favorable (Unfavorable)
Charges for Services				
Circuit Court Costs	6,400	1,800	2,145	345
District Court Costs	98,000	98,000	101,955	3,955
District Court Supervision Fees	10,000	9,000	7,969	(1,031)
Bond Costs	1,200	2,000	2,308	308
Probation Fees	8,500	7,500	8,279	779
Circuit Court Services	1,500	1,500	1,826	326
Friend of the Court Services	6,500	6,500	6,814	314
Probate Court Services	3,400	3,400	4,132	732
Treasurer Services	1,000	1,000	1,315	315
Clerk Services	10,000	10,000	10,875	875
Register of Deeds Services	40,100	42,100	42,290	190
Real Estate Transfer Tax	30,000	20,000	19,580	(420)
Abstractor Services	33,000	25,000	23,130	(1,870)
District Court Civil Fees	5,000	6,000	6,473	473
Sheriff Services	6,000	6,000	6,468	468
Equalization Department Services	5,150	9,150	13,078	3,928
Inmates Board and Care	17,000	7,000	7,676	676
Jail Bed Rental	60,000	60,000	65,080	5,080
Inmate Phone Services	5,500	3,500	3,310	(190)
Sale of Supplies	200	200	157	(43)
Total Charges for Services	348,450	319,650	334,860	15,210
Fines and Forfeits				
Ordinance Fines and Costs	10,000	10,000	9,310	(690)
Bond Forfeitures	1,000	300	100	(200)
Total Fines and Forfeits	11,000	10,300	9,410	(890)
Interest and Rents				
Interest Earned	15,000	19,000	19,785	785
Other Revenue				
Reimbursements				
Hospitalization Insurance Premiums	37,494	33,494	32,635	(859)
Mental Health Transporting	7,000	7,000	6,757	(243)
General Refunds and Reimbursements	10,615	17,615	17,171	(444)
Total Other Revenue	55,109	58,109	56,563	(1,546)
Total Revenues	2,514,737	2,623,028	2,570,954	(52,074)
Other Sources				
Operating Transfers In From (Primary Government)				
100% Tax Payment Funds	75,000	75,000	75,330	330
Total Other Sources	75,000	75,000	75,330	330
Total Revenue and Other Sources	\$ 2,589,737	\$ 2,698,028	\$ 2,646,284	\$ (51,744)

COUNTY OF BARAGA
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2004

EXHIBIT U

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Board of Commissioners	\$ 25,005	\$ 59,475	\$ 59,380	\$ 95
Circuit Court	110,500	110,500	93,725	16,775
District Court	74,020	99,118	94,835	4,283
District Court Magistrate	26,047	47,219	46,828	391
District Court Probation	15,000	20,000	20,000	-
Friend of the Court	44,900	57,900	42,333	15,567
Jury Commission	1,375	1,375	1,333	42
Probate Court	143,564	184,278	182,477	1,801
Elections	6,950	9,350	9,264	86
Clerk	69,792	110,286	101,914	8,372
County Audit	15,500	15,700	14,925	775
Equalization Department	91,436	147,672	147,495	177
Prosecuting Attorney	123,177	179,897	179,549	348
Register of Deeds	39,030	68,045	66,740	1,305
Abstractor	27,484	39,046	38,437	609
Treasurer	85,842	130,266	125,750	4,516
Cooperative Extension Service	47,110	60,262	57,058	3,204
Courthouse and Grounds	99,548	111,400	72,961	38,439
Resource Conservation and Development	325	325	-	325
Remonumentation Project	55,047	55,047	48,796	6,251
Record Copying	11,100	11,100	9,105	1,995
Miscellaneous	350	350	120	230
Total General Government	1,113,102	1,518,611	1,413,025	105,586
Public Safety				
Sheriff	231,687	372,829	369,561	3,268
Act 302 Training	2,000	2,000	1,618	382
Marine Safety Program	13,600	7,070	3,122	3,948
Snowmobile Safety Program	5,100	4,270	3,715	555
Secondary Road Patrol	41,850	48,718	34,590	14,128
Jail	206,762	362,228	356,825	5,403
Mine Inspector	1,352	1,658	1,547	111
Soil Erosion and Sedimentation	1,600	1,600	1,346	254
Emergency Services Program	16,639	17,855	17,321	534
Domestic Preparedness/Homeland Security Grants	-	176,637	76,852	99,785
Animal Control	13,275	14,931	14,411	520
Total Public Safety	533,865	1,009,796	880,908	128,888

COUNTY OF BARAGA
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2004

EXHIBIT U
(CONTINUED)

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Health and Welfare				
District Health Department	23,249	50,742	50,742	-
District Health Department--Cigarette Tax	4,633	3,713	3,713	-
Substance Abuse Coordinating Agency	13,820	13,317	13,317	-
Medical Examiner	4,200	7,100	7,048	52
Community Mental Health Authority	33,795	33,795	33,795	-
Juvenile Court Counselor	29,351	42,213	42,163	50
Family Independence Agency	3,500	2,500	2,268	232
Veterans Burials	6,000	6,640	6,640	-
Total Health and Welfare	118,548	160,020	159,686	334
Community and Economic Development				
UP Commission for Area Progress	400	400		400
Western UP Planning and Development Region	6,096	6,096	6,096	-
Total Community and Economic Development	6,496	6,496	6,096	400
Recreation and Culture				
County Fair Board	2,500	4,000	4,000	-
Other Functions				
Insurance and Bonds	60,000	45,060	41,862	3,198
Employee Hospitalization Insurance	396,000	40,370	40,104	266
Employee Hospitalization Deductible	10,800	-	-	-
Payments-in-Lieu of Hospitalization	4,000	-	-	-
Prescription Payments	8,000	780	775	5
Employee Life Insurance	1,500	-	-	-
Employee Retirement	110,000	2,580	2,195	385
Social Security and Medicare	80,000	1,100	126	974
Unemployment Benefits	1,000	-	-	-
Other Employee Benefits	426	-	-	-
Negotiations	6,000	-	-	-
Total Other Functions	677,726	89,890	85,062	4,828
Capital Outlay	72,800	68,397	57,703	10,694
Total Expenditures	2,518,541	2,850,714	2,600,384	250,330
Other Uses				
Operating Transfers (Out)				
Probate Child Care	45,000	80,000	80,000	-
Veterans' Affairs	16,700	5,500	5,200	300
Law Library	3,000	4,500	4,500	-
Total Other Uses	64,700	90,000	89,700	300
Total Expenditures and Other Uses	\$ 2,583,241	\$ 2,940,714	\$ 2,696,180	\$ 250,630

BARAGA COUNTY
COMBINING STATEMENT OF NET ASSETS
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
September 30, 2004

EXHIBIT V

	DEBT SERVICE		CAPITAL PROJECT	
	L'anse 2002 Bond	L'anse 1979 Bond	L'anse Sewer Construction	Total
<u>ASSETS</u>				
Current Assets				
Cash		\$ 78	\$ 810	\$ 888
Total Current Assets	\$ -	78	810	888
Total Assets	-	78	810	888
Noncurrent Assets				
Due From Local Units of Government				
Due Within One Year	18,000	55,000		73,000
Due in More Than One Year	1,677,000	755,000		2,432,000
Total Noncurrent Assets	1,695,000	810,000	-	2,505,000
Total Assets	\$ 1,695,000	\$ 810,078	\$ 810	\$ 2,505,888
<u>LIABILITIES</u>				
Noncurrent Liabilities				
Bonds Payable				
Due Within One Year	\$ 18,000	\$ 55,000		\$ 73,000
Due in More Than One Year	1,677,000	755,000		2,432,000
Total Noncurrent Liabilities	1,695,000	810,000	\$ -	2,505,000
Total Liabilities	1,695,000	810,000	-	2,505,000
<u>NET ASSETS</u>				
Restricted for Debt Service		78		78
Restricted for Capital Projects			810	810
Total Net Assets	\$ -	\$ 78	\$ 810	\$ 888

BARAGA COUNTY
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
GOVERNMENTAL FUNDS
September 30, 2004

EXHIBIT W

	DEBT SERVICE		CAPITAL PROJECT	
	L'anse 2002 Bond	L'anse 1979 Bond	L'anse Sewer Construction	Total
<u>ASSETS</u>				
Cash		\$ 78	\$ 810	\$ 888
Due From Local Units of Government	\$ 1,695,000	810,000		2,505,000
Total Assets	\$ 1,695,000	\$ 810,078	\$ 810	\$ 2,505,888
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Deferred Revenue	\$ 1,695,000	\$ 810,000		\$ 2,505,000
Total Liabilities	1,695,000	810,000	\$ -	2,505,000
Fund Equity				
Fund Balance				
Designated for Debt Service		78		78
Designated for Capital Projects			810	810
Total Fund Equity	-	78	810	888
Total Liabilities and Fund Equity	\$ 1,695,000	\$ 810,078	\$ 810	\$ 2,505,888
Fund Balance--Total Governmental Funds				\$ 888
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds.				2,505,000
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(2,505,000)
Total Net Assets				\$ 888

BARAGA COUNTY
COMBINING STATEMENT OF ACTIVITIES
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
For the Year Ended September 30, 2004

EXHIBIT X

	<u>PROGRAM REVENUES</u>		
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
L'anse 2002 Bond			
Interest on Related Debt	\$ 72,292	\$ 72,292	-
Total L'anse 2002 Bond Debt	72,292	72,292	\$ -
L'anse 1979 Bond			
Interest on Related Debt	43,250	43,250	-
Total L'anse 1979 Debt	43,250	43,250	-
L'anse Sewer Construction			
Contributions From Local Units	121,092	120,000	(1,092)
Total L'anse Sewer Construction	\$ 121,092	\$ 120,000	\$ (1,092)
	Change in Net Assets		\$ (1,092)
	Net Assets--Beginning of Year		1,980
	Net Assets--End of Year		\$ 888

BARAGA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--DEPARTMENT OF PUBLIC WORKS
COMPONENT UNIT--GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

EXHIBIT Y

	<u>DEBT SERVICE</u>		<u>CAPITAL PROJECT</u>	
	L'anse 2002 Bond	L'anse 1979 Bond	L'anse Sewer Construction	Total
Revenues				
Contributions From Local Units	\$ 89,292	\$ 98,250		\$ 187,542
Total Revenues	89,292	98,250	\$ -	187,542
Expenditures				
Public Works			121,092	121,092
Debt Service				
Principal	17,000	55,000		72,000
Interest and Fiscal Fees	72,292	43,250		115,542
Total Expenditures	89,292	98,250	121,092	308,634
Excess of Revenues Over (Under)				
Expenditures	-	-	(121,092)	(121,092)
Other Financing Sources (Uses)				
Bond Proceeds			120,000	120,000
Total Other Financing				
Sources (Uses)	-	-	120,000	120,000
Excess of Revenues and Other				
Sources Over (Under)				
Expenditures and Other Uses	-	-	(1,092)	(1,092)
Fund Balance--October 1, 2003	-	78	1,902	1,980
Fund Balance--September 30, 2004	\$ -	\$ 78	\$ 810	\$ 888

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances--Total Governmental Funds	\$ (1,092)
Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred.	(72,000)
Bond Proceeds	(120,000)
Contributions From Township	120,000
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	72,000
Change in Net Assets of Governmental Activities	<u>\$ (1,092)</u>

BARAGA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (4)
For the Fiscal Year Ended September 30, 2004

SCHEDULE 1

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Revenue Recognized</u>	<u>Federal Expenditures (1)</u>
US Department of Housing and Urban Development				
Passed Through Michigan Department of Commerce				
Community Development Block Grant/Small Cities				
2003-2004 Housing Rehabilitation	14.228	MSC 2003-0718-HOA	\$ 84,135	\$ 84,135
Total US Department of Housing and Urban Development			84,135	84,135
US Department of Health and Human Services				
Passed Through Michigan Family Independence Agency				
Title IV-D, Child Support Enforcement				
Cooperative Reimbursement Program	93.563	CS/PA-04-07002	23,165	23,165
ADC Incentive (2)	93.560	(5)	13,598	
Title IV-B, Family Preservation and Support Services				
Strong Families/Safe Children	93.556	(5)	6,630	6,630
Total Department of Health and Human Services			43,393	29,795
US Department of Homeland Security				
Passed Through Michigan Department of State Police				
Emergency Management Performance Grant	97.004	(5)	6,173	6,173
Domestic Preparedness/Homeland Security Grants	97.042	(5)	71,852	71,852
Total US Department of Justice			78,025	78,025
TOTAL PRIMARY GOVERNMENT			\$ 205,553	\$ 191,955
US Department of Agriculture				
Passed Through US Rural Utilities Service				
Water and Waste Water Disposal Systems for				
Rural Communities	10.760	(5)	\$ 120,000	\$ 121,092
Total US Department of Agriculture			120,000	121,092
TOTAL BOARD OF PUBLIC WORKS--COMPONENT UNIT			\$ 120,000	\$ 121,092
TOTAL ROAD COMMISSION--COMPONENT UNIT (3)			\$ 1,040,955	\$ 978,202
TOTAL COMPONENT UNITS			\$ 1,160,955	\$ 1,099,294
GRAND TOTAL--REPORTING ENTITY			\$ 1,366,508	\$ 1,291,249

See the Accompanying Notes to the Schedule of Expenditures of Federal Awards.

BARAGA COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2004

1. Federal expenditures represent only the program expenditures that are eligible for Federal participation.
2. Federal aid revenues are based on support collections in the Friend of the Court Office. Separate accounting for expenditures is not required.
3. The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2004, the Federal aid expended by the Road Commission (component unit) was \$1,035,140 for contracted projects and \$978,203 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission and are subject to a single audit if the expenditures exceeded \$500,000. A separate single audit was performed during the fiscal year ended September 30, 2004, and is reported under a separate cover for the Road Commission.
4. This schedule is presented on the modified accrual basis of accounting, please refer to Note B of the financial statement notes for other significant accounting policies.
5. The pass-through grantor's number was not available.



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

January 10, 2005

County of Baraga
County Board of Commissioners
16 North 3rd Street
L'Anse, Michigan 49946

RE: Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of Baraga County as of and for the year ended September 30, 2004, and have issued our report thereon dated January 10, 2005. We did not audit the financial statements of the County Hospital (component unit--enterprise fund type), which statements reflect total assets of \$12,826,297 as of September 30, 2004 and total revenues of \$17,694,548 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the County Hospital (enterprise fund type), is based on the report of the other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Baraga County Hospital is based solely on the reports of other auditors.

The county adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Baraga County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance which we have reported to management of Baraga County as described in the accompanying Comments and Recommendations as items 97-7 and 98-2.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Baraga County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

COUNTY OF BARAGA
COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instances of noncompliance with State statutes.

Board of Commissioners--Expenditures in Excess of Appropriations

Finding 97-7

The County's 2004 General Appropriations Act (budget) provided for the expenditures of the general and special revenue funds to be controlled to the activity level by the county board of commissioners.

Condition: As detailed in Note B to the financial statements, actual 2004 expenditures exceeded the board's approved budget allocations for three special revenue funds.

Criteria: The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968, the Uniform Budgeting and Accounting Act.

We direct the board of commissioners, the county's chief administrative officer (county clerk), and those boards and commissions and administrative personnel responsible for administering the various activities of the General Fund and special revenue funds of the county, develop budgetary control procedures for those activities and funds which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof. These procedures should include a requirement that each county department head be responsible for monitoring the budgetary status of his or her activity(ies) monthly. Department heads must also be required to make formal requests to the county clerk for budget amendments prior to incurring expenditures in excess of board authorized amounts.

Management's Response: Management indicated that they would make an effort to correct the problem.

Sheriff Department--Jail Commissary

Finding 98-2

Condition: The Sheriff's Department operates a commissary for the benefit of the inmates. Revenue from the sale of commissary items is deposited to a bank account under the custody of the Sheriff's Department. The bank account is used for purchases of commissary items for resale to inmates and other items for the benefit of the inmates.

Criteria: The Michigan Department of Treasury Uniform Chart of Accounts for Counties and Local Units of Government in Michigan requires that the commissary be accounted for in fund number 595 - Commissary Fund.

COUNTY OF BARAGA
COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

Recommendation: We recommend that the county board of commissioners pass a resolution providing for the county treasurer to establish fund number 595 - Commissary Fund. We also recommend that the Sheriff's Department deposit all commissary revenue with the county treasurer at least monthly. Commissary Fund expenditures should be submitted to the board of commissioners for approval whenever possible. An imprest cash or checking account may be established to pay suppliers that require immediate payment. When a imprest account is used, the Sheriff's Department should request reimbursement, at least monthly from the clerk's office, for expenditures made from this account. The imprest account should be reconciled monthly.

Management's Response: At the November 20, 2000 board meeting, it was the decision of the board to have the Sheriff keep the fund at the jail due to the amount of work and time the above listed procedures would entail.